Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils.500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	L$125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr8.50	Malaysia	Rlnt4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.50	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Israel blames the press for its woes, Page 4

World News

Pressure grows for sanctions on Panama

US Secretary of State George Shultz added his weight to growing pressure within the Reagan Administration for economic sanctions against the Panama regime of military leader Gen Manuel Noriega.

Shultz said in Brussels that President Ronald Reagan was studying options, including freezing Panamanian assests in the US, in an effort to break Gen Noriega's grip on power. Page 18

Argentine put forces on 'defensive alert'

Argentina put its armed forces on "defensive alert" in response to British plans to stage military manoeuvres around the disputed Falkland Islands.

A joint communique issued by the Defence and Foreign ministries said: "The military activities which could be carried out in the South Atlantic during the announced British exercises will be kept under tight vigilance."

Bangladesh violence

Thirteen people were killed and scores injured when rival party workers fought with guns, knives and bombs during elections in Bangladesh. Observers reported the theft of ballot boxes. Page 4

Missile supply denied

Moscow denied allegations that it supplied Iraq with missiles to attack Iranian cities and said the Kremlin was urging both sides to halt hostilities.

Marseilles port closed

Striking dock workers led by the CGT trade union, closed the port of Marseilles to non-perishable goods in a protest against plans to lengthen the working day and cut back staff, port officials said.

Brazil lowers voting age

Brazil is to reduce the voting age from 18 to 16, adding about 10m voters to the electoral roll.

PLO woos Syria

A Palestinian Liberation Organisation official is to visit Syria to try to mend the rift between PLO Chairman Yassir Arafat and Syria, the first such meeting in almost five years.

Israel replaces clubs

The Israeli army replaced wooden clubs, used to beat Palestinian protesters, with fibreglass batons which did not break as easily, an army spokesman said.

South Korea warned

South Korea and other Asian nations were warned by the US that they would face export curbs if they did not end "unfair trading practices." Page 5

Mediator sacked

President Daniel Ortega of Nicaragua dismissed Cardinal Miguel Obando y Bravo as peace talks mediator and named his brother, Defence Minister Humberto Ortega, as his replacement. Page 4

Vatican budget

The Vatican lifted a veil of secrecy over its finances, releasing details of its income and expenses as 10 cardinals discussed the Holy See's cash crisis.

Air miss policy

Britain's Civil Aviation Authority said it would end a policy of official silence over near-misses between commercial airliners.

Defence plan

Italy's Defence Ministry was putting the finishing touches to a multi-annual procurement plan which would seek to raise equipment spending by about 60 per cent in the next 10 years. Page 3

Manure protest

About 250 Dutch farmers, denouncing tougher regulations on waste disposal, dumped manure in a government office in Assen.

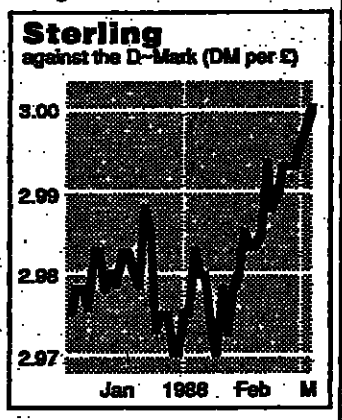
Business Summary

BAT steps up bid for Farmers Group

BAT INDUSTRIES of the UK, world's biggest private-sector tobacco company, yesterday stepped up its bid for Farmers Group, the US insurer, by making a tender offer to buy the company for $63 a share. BAT said the offer valued Los Angeles-based Farmers Group at about $4.5bn. Page 18

SHELL, integrated oil group, has received claims from 10,000 car users worldwide that Formula Shell leaded petrol has damaged engine valves. Page 24; Lex, Page 18

POUND closed in London at DM3, compared with DM2.9975 on Wednesday, after vigorous efforts by the Bank of England to stop it rising above that level. It was the



second day in succession the Bank has intervened to stem the rise of sterling. The pound closed at $1.7680 compared with $1.7715. Money markets, Page 31

WALL STREET: The Dow Jones industrial average closed down 7.80 at 2063.49. Page 42

LONDON: Blue chip stocks continued to dominate market trading in London, with the FT-SE 100 index adding 4.6 to 1,813.3 in reduced turnover. Page 38

TOKYO: Warnings from Bank of Japan sources about the Tokyo market's recent sharp rise unsettled investors and erased morning gains, pulling the Nikkei average lower. The Nikkei fell 86.51 to 25,896.31. Page 42

DOLLAR closed in New York at DM1.6945; Y129.17; FFr5.275; SFr1.4055. It closed in London at DM1.6965 (DM1.6925); Y129.20 (Y129.15); SFr1.4065 (SFr1.3990); and FFr5.7275 (FFr5.7275). Page 31

STERLING closed in New York at $1.7705. It closed in London at DM3.00 (DM2.9975); $1.7680 ($1.7715); Y228.50 (Y228.75); SFr2.4875 (SFr2.4775); FFr10.1250 (FFr10.1475). Page 31

US ELECTRONICS exports ranging from weapons systems to computers rose 20 per cent in 1987, topping the growth for imports for the first time since 1980, Electronics Industries Association said.

PECHINEY, French state-owned aluminium and metals group, expects to declare net earnings of about FFr700m ($122m) for 1987 compared with a loss of FFr86m in 1986. Page 20

ALLIANZ, West Germany's largest insurance group, increased worldwide premium income to DM25.6bn ($15bn) last year, against DM19.2bn. Page 20

BOND CORPORATION, holding company of Australian entrepreneur Alan Bond, has raised its stake in Allied-Lyons, UK brewing and food group, to more than 6 per cent. Page 22

INTERNATIONAL Finance Corporation, World Bank affiliate, launched a $150m Eurobond issue, its largest Eurodollar deal yet. Page 22

FEDERATED Department Stores: Wall Street traders began to favour the $6bn two-stage cash offer of Campeau of Canada over the cash-and-securities deal from R.H. Macy, private New York store group. Page 19

CADBURY SCHWEPPES, UK soft drinks and confectionery group, reported pre-tax profits of £176.1m ($310m), up 34.7 per cent. Page 24

Nato leaders stress need for strong defence posture

BY ROBERT MAUTHNER AND DAVID BUCHAN IN BRUSSELS

NATO LEADERS yesterday issued a firm declaration stressing the need for the Alliance to adopt a strong and credible defence posture as a basis for further dialogue with the Soviet Union, but side-stepping the issue of the modernisation of short-range nuclear weapons in Europe.

The declaration is intended to strengthen US President Ronald Reagan's hand before his scheduled meeting with Mr Mikhail Gorbachev, the Soviet leader, in Moscow in the early summer and in his efforts to persuade the US Senate to ratify the INF treaty abolishing ground-based medium-range missiles.

In an attempt to counter fears that budgetary constraints might provoke a withdrawal of US troops from Europe, the declaration underlined President Reagan's promise of a continuing US commitment to the defence of Europe, both in the conventional and nuclear fields.

It also welcomed recent efforts to reinforce the European pillar of the Alliance, in an obvious reference to the steps taken by France and West Germany to step up their defence co-operation.

However, the atmosphere of sweetness and light at the summit was preserved, thanks only to a communiqué which remained deliberately ambiguous on the subject of the modernisation of battlefield nuclear weapons.

Mrs Margaret Thatcher, the British Prime Minister, has always considered this to be essential for the maintenance of Nato's strategy of flexible response, following the elimination of medium-range nuclear missiles.

But Sir Geoffrey Howe, the British Foreign Secretary and Mr George Shultz, the US Secretary of State, had to battle hard even for a term equivalent to modernisation to be included in the communiqué.

Finally, the relevant paragraph said there was no alternative to a strategy of deterrence based on an appropriate mix of adequate and effective nuclear forces, which will continue "to be kept up to date where necessary."

That was enough to satisfy Mrs Thatcher. "Everyone in the room recognised that you do not deter with obsolescent weapons. To deter you have to modernise," she said.

The West Germans, meanwhile, were putting a very different interpretation on the communiqué, having translated the key phrase, "kept up to date, where necessary" with "kept in an adequate state, where necessary."

This will enable Mr Helmut Kohl, the West German Chancellor, to reassure his sensitive public opinion, worried that nuclear battlefield weapons would be used principally on German territory in the event of a conflict with the Warsaw Pact, that no firm commitments were made this week in Brussels.

"We need weapons, but when and where we shall have to decide later," Mr Kohl said, referring to the battlefield nuclear weapons like the Lance missiles, which will have to be replaced in the mid-1990s.

The sequence of arms control priorities also remains in dispute, with Mrs Thatcher arguing that no reduction of short-range nuclear weapons in Europe should be negotiated until after an agreement on conventional force cuts and a ban on chemical weapons.

Continued on Page 18
Editorial comment, Page 16; Details, Page 3

La Générale rivals may seek negotiated solution

BY TIM DICKSON IN BRUSSELS

CLEAR signs that the rival shareholder camps fighting for control of Société Générale de Belgique, Belgium's most powerful business institution, may now try to negotiate a solution were emerging in Brussels last night.

The possibility of at least a lull in the fierce seven-week battle is believed to have greatly increased as a result of this week's court judgment clearing the way for La Générale's "poison pill" share issue.

In particular, it is thought that Mr Carlo De Benedetti, the Italian businessman who has stunned Belgium with his quest for control of La Générale, may now make a conciliatory approach to the rival Franco-Belgian "federation" of shareholders led by the Paris financial group Compagnie Financière de Suez and the leading Belgian insurance company, Groupe AG.

It remained unclear last night, however, whether he would be willing to drop or at least modify his ambition to have the final say in La Générale's management. This has proved a major stumbling block in bringing the sides together so far.

Last night Cerus, Mr De Benedetti's French holding company, applied to the Belgian banking commission to extend its bid for a further 7 per cent of La Générale. Today is the first closing date for the bid.

Despite Mr De Benedetti's dramatic decision at the end of last week to double the offer from BFr4,000 ($113) a share to BFr8,000 (which values the company at roughly two and a half times its asset value) the bid is thought to have been accepted by just 1 per cent of shareholders.

The application for an extension, however, is thought to be a largely tactical move to keep up the pressure. Cerus does not seriously think it can now gain majority control through the market.

The Franco-Belgian "federation" claims to have control over 52 per cent of La Générale's shares, with Suez itself holding 27 per cent. Mr De Benedetti and his so-called "followers" have been claiming to speak for 47.2 per cent without taking the outcome of the latest bid into account.

If anything, the arguments over whose sums are correct have become even more bitter in the last couple of days. Most leading Belgian observers and the Belgian Government, which has come under pressure to intervene, believe that negotiations are now the only way to break the deadlock.

With huge sums of money committed to the battle by both sides, this view may well be gaining ground among the protagonists.

The official view of the Franco-Belgian camp, reiterated yes-

Continued on Page 18

Beazer launches $1.3bn bid for large US aggregates group

BY JAMES BUCHAN IN NEW YORK AND PHILIP COGGAN IN LONDON

C.H. BEAZER, the British building products company, yesterday launched an ambitious $1.3bn leveraged bid for Koppers, the second largest aggregates group in the US.

The offer, which involves around $1.1bn of debt financing, is being made via a specially established company, BNS, in which Beazer has only a 49 per cent stake, enabling the building company to keep the borrowings off its balance sheet. The remaining 51 per cent of BNS is held by subsidiaries of Shearson Lehman and NatWest Investment Bank.

British companies, including Redland and Blue Circle, have made a number of acquisitions of US aggregate groups over the last few years. Opportunities for purchases in the UK aggregates group are limited because of the concentration of reserves in a few corporate hands.

Beazer has made no secret of its desire to become a broadly-based constuction group and it acquired Gifford-Hill, the Texas-based cement company in 1986. Nevertheless, the Koppers offer is a daring move for a company which was capitalised at only £2.5m ($4.4m) a decade ago.

Beazer's growth has been fuelled by the house-building boom in the south of England and a series of acquisitions. Last year, Beazer's turnover topped the £1bn mark.

But the amount of paper that Beazer had issued meant that an equity offer, especially in the wake of the crash, was out of the question. Instead, the vehicle company will be funded largely by debt. Citibank has agreed to provide $320m and to syndicate further loans of $320m; Shearson Lehman is providing bridging finance and has agreed in principle to provide $465m of subordinated debt.

Beazer said that it would immediately attempt to reduce debt if the offer was successful by selling off Koppers's chemical and allied products division plus some property.

The key question yesterday was whether the complex financing structure can accommodate an increased bid, which could be forced on Beazer by a counter-offer.

BNS's $45 per share cash offer was below Koppers' opening share price of $45⅛ and the price, which has surged from $32 in recent weeks, jumped $6⅜ to $51½ in early trading yesterday. The Beazer camp now has a 7.3 per cent stake in Koppers built up since October.

The Koppers board has yet to respond to the offer.

Lex, Page 18
Background, Page 24

RTZ sale to Scancem

RTZ, the British-based mining conglomerate, is to sell its cement business to the Swedish-Norwegian concern Scancem for £230m ($391m). The disposal of Castle Cement will end the group's six-year presence in the sector. Page 19

Robert Maclennan

Second time round for UK's Third Force party

By Michael Cassell in London

LIBERALS AND Social Democrats finally launched their merged party as a third force in British politics yesterday, facing local government elections as a first test of their challenge to their dominant Conservative and Labour rivals.

Mr David Steel, the Liberal leader, and Mr Robert Maclennan, his Social Democratic counterpart, formally presented the new party at a London news conference after each party had approved the merger in a membership ballot. The new party is to be called the Social and Liberal Democrats (SLD).

The decision, which comes after a bruising period of feuding within both parties, ends 110 years of independence for the Liberal party and also signals the dismantling of the original Social Democratic Party, which was formed in 1981 to break the two-party system.

The launch was marred by the continuing dispute over plans by Dr David Owen, the leader of the continuing Social Democratic Party, to lay claim to the SDP name.

Dr Owen, one of the founders of the Social Democrats, who claims some 30,000 members for his anti-merger campaign, says he plans to rebuild the party he founded in 1981.

Continued on Page 18
March for credibility, Page 14; Politics today, Page 17

David Steel

Timetable for Kabul pull-out is settled

BY ROBIN PAULEY, ASIA EDITOR, IN GENEVA

AFGANISTAN AND Pakistan reached an important agreement in Geneva yesterday on the timetable and organisation of the withdrawal of Soviet troops from Afghanistan.

Under the agreement the Soviet withdrawal will be completed nine months after it begins and will be "front-loaded" so that half the 115,000 Soviet troops leave Afghanistan in the first three months. It was achieved with a compromise under the auspices of Mr Diego Cordovez, the UN official who has mediated the indirect talks.

However, some key issues are still to be resolved. The principal obstacle to a final accord is that Pakistan has still not formally dropped its demand that an interim coalition government should be set up in Kabul before any agreement is signed.

Mr Zain Noorani, Pakistan's deputy foreign minister leading his country's delegation, is returning to Islamabad today for consultations with President Zia ul-Haq. The Pakistanis must decide whether they can realistically continue with their position in the absence of support from the US. Mr Noorani will return to Geneva on Sunday with the answer.

However, even if Pakistan signs an agreement the Mujahideen groups which have fought the Soviet forces since the occupation began in 1979 are unlikely to accept it. Although the provisional accord stipulates an end to all external interference in Afghanistan, including US aid 60 days after the instruments are signed, the Mujahideen have substantial military stockpiles.

It is also not certain that the US will cut off all aid instantly if there is no reciprocal halt to Soviet aid to the Kabul Government. The prospects for peace within Afghanistan therefore remain bleak.

Mr Noorani made a last ditch effort yesterday morning to persuade Mr Cordovez to include the interim government issue within the negotiations. The Pakistanis were angry that Mr Cordovez ruled out any such linkage at a press conference on Wednesday and Mr Noorani apparently accused him at yesterday's negotiating session of backing away from his previous position.

"It is not a question of Mr Cordovez persuading us to give up anything. It is a question of persuading Mr Cordovez to do something about getting active about the second track once again," Mr Noorani said after the session, referring to the idea that the interim government could be discussed in tandem with the withdrawal.

Mr Abdul Wakil, the Afghan foreign minister, said last night that as far as he was concerned the Geneva talks had finalised all remaining issues. The creation of a national unity government in Afghanistan was a matter for Afghans themselves.

His only gesture towards Pakistan was to say that the creation of the new government could begin as soon as the Geneva agreement was accepted by Pakistan.

Hopeful Shultz tries again in Mideast

BY RICHARD JOHNS IN LONDON

MR GEORGE SHULTZ, the US Secretary of State, was returning to the Middle East last night on a second mission still doggedly committed to and cheerfully optimistic about the prospects for obtaining agreement on a peace package in the face of what still seem insurmountable obstacles.

"I am smiling", he said following a 90-minute meeting with King Hussein of Jordan at the monarch's residence in Kensington Park Gardens, London, and before departing for Israel where his first five-day peace shuttle began a week ago.

Mr Shultz declined to elaborate and there was no immediate indication whether he had overcome King Hussein's extreme reluctance to entertain any longer the concept of a joint Jordanian-Palestinian delegation in any peace negotiations. The Secretary of State later briefed Sir Geoffrey Howe, the British Foreign Secretary, for 45 minutes.

Following the uprising in the occupied territories in which at least 79 Palestinians have been killed, King Hussein is believed to have renounced any idea of speaking on behalf of the Arab inhabitants of the West Bank and Gaza Strip. He is also said to be

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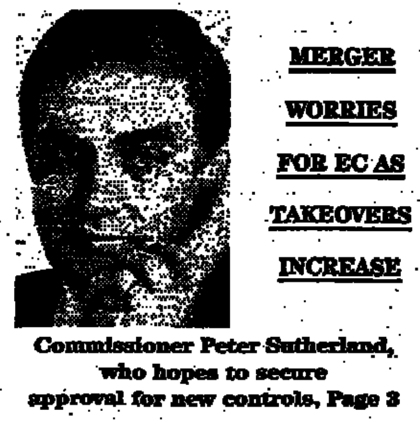

MERGER WORRIES FOR EC AS TAKEOVERS INCREASE

Commissioner Peter Sutherland, who hopes to secure approval for new controls, Page 3

EUROPEAN NEWS

Role of Bundesbank seen as crucial to currency system's success in weathering recent international crises

Warning over calls to spread EMS burden

BY DAVID BUCHAN IN BRUSSELS

CURRENT CALLS, especially by France, for countries to share more equally the intervention and adjustment burden of maintaining their currencies in the European Monetary System (EMS) are "potentially dangerous", the authors of a new review of the currency system said yesterday.

Professor Niels Thygesen, of Copenhagen University's Institute of Economics, and Mr Daniel Gros, research fellow at the Centre for European Policy Studies (CEPS), said the success of the EMS in helping bring down inflation in Europe and in weathering recent international currency crises was grounded in the dominant role, and reputation, of the Bundesbank in the EMS.

Mr Edouard Balladur, the French Finance Minister, has tabled proposals, now under study in the European Community, for a more symmetrical system that would place the onus of adjustment on countries with stronger currencies like West Germany as well as those with weaker currencies like France.

But the two authors of the new EMS study, conducted for CEPS, say: "The desire for symmetry conflicts with the basic proposition that in a fixed-exchange rate regime only one country can, in the long term, determine its own monetary policy, which then constitutes the anchor that ties down the price level and money supply in other countries as well."

The paper says the EMS "in its present state of development has to be asymmetric if the exchange rates are really to be kept fixed" within the participating currencies. The only alternative would be to formulate a common European monetary policy.

But this, the CEPS authors say, would be "a jump to a different degree of political and economic integration", though they also outline possible steps towards a European central banking system, modelled on the US Federal Reserve system, to allow a mix of regional or national flexibility and central decision-making.

The authors say they would welcome any decision by Britain to bring sterling into the EMS. But they warn that UK authorities would then have to cope with short-term tensions in the EMS by a mix of intervention and interest rate changes, and should not be continually seeking realignments.

In general terms, they warn against the idea that sterling participation would be regarded as "a special favour extended by the UK to her European partners" and lead to concession to London in some other area of European policy.

"The EMS: Achievements, current issues and directions for the future," CEPS, Brussels.

Central bank 'would help EC meet challenge of 1992'

Simon Holberton on proposals to counter strains on the EMS as Community economic integration continues

THE FURTHER economic integration of the European Community and the likelihood of continued dollar instability suggests that the EC needs a more robust system for exchange rate and monetary management.

In a wide-ranging study of the European Monetary System, published yesterday in Brussels, the Centre for European Policy Studies (CEPS) suggests that the creation of a European central bank would go some way to meeting the needs of the Community in the years after 1992 when barriers to trade within the EC are planned to be removed.

The report, written by Mr Daniel Gros and Professor Niels Thygesen, finds that the EMS has performed well over the past decade in promoting domestic price stability and exchange rate stability.

They believe, however, that the system could come under strain in future. Big external current account imbalances, which without correction imply further dollar depreciation, are continuing at a time when growth prospects in Europe are unsatisfactory and some EMS governments have come to see the system as a constraint on their ability to manoeuvre.

They also believe that the present system of exchange rate management, where there are occasional and cumulatively significant currency realignments in the EMS, is incompatible with the creation of a barrier-free internal market which seeks to improve resource allocation and economic efficiency.

Paradoxically, however, the very success of the EMS is delaying the consideration by Community governments of a better system for EC currency and monetary management. This success has been especially apparent over the period 1985-87 when the revaluation of EMS currencies was recognised a necessary corrective to the dollar's over-valuation, and during the time of relative exchange rate stability established under the Louvre Accord.

"There is an understandable reluctance among both central banks and governments to consider initiatives prematurely and in such a way as to disturb what already exists," they say.

The authors consider a number of options – a European Monetary Fund, a return to fixed exchange rates, and the creation of a European currency to parallel the dollar in international trade – but opt for a European central bank, structured along the lines of the Federal reserve system in the US. They envisage a structure where:

- The central bank is headed by a board of governors appointed by the EC Council of Ministers. The board would have powers to create assets in a European currency against national currencies. It would also co-ordinate national supervisory functions over European banks.
- A European Open Market Committee, consisting of the board and governors of participating central banks would be, however, the bank's central policy-making forum. It would set the guidelines for the operation of open market operations and foreign exchange market intervention, although at an operational level national central banks would act as its agent.

The Bundesbank would adopt the role of the New York Fed in being the principal agent in foreign exchange market intervention. If Britain entered the system, the Bank of England would be the natural choice the perform this role, given London's pre-eminence in the European foreign exchange markets.

They believe such an institution is feasible because the integration of the markets for goods, services and capital which will occur after 1992 will offer important incentives to realign currencies and pursue compatible monetary policies.

It is desirable because the current system, if unchanged, could break down through the interaction of international financial instability and frustration caused by unsatisfactory economic performance.

Balladur sees no urgency for closer EC VAT alignment

BY IAN DAVIDSON IN PARIS

FRANCE'S Finance Minister, Mr Edouard Balladur, has rejected the argument of the European Commission that a closer alignment of EC value added taxes (VAT) is a precondition for establishing a totally free European market, notionally scheduled for the end of 1992.

Mr Balladur has argued, in a presentation to the French Government, that the harmonisation of taxation on savings and portfolio investment will be an essential condition for a successful liberalisation of capital movements in the Community.

His conclusions follow, and largely endorse, the first report of the Boiteux committee set up to study all aspects of the implications of the 1992 target date. Further subjects to be studied by the Commission de Reflexion Economique sur la Preparation de l'Echeance 1992 include public subsidies, public purchasing, competition policy, deregulation and control of mergers, and industrial cooperation policy.

Mr Balladur claims that the Commission's proposals, to establish two bands of VAT within the Community (a normal band of 14-20 per cent, and a lower-rate band of 4-9 per cent) would have very serious consequences for the French economy, both in budgetary costs and in diversion of trade to member states with lower VAT rates.

He agrees with the end result of VAT harmonisation aimed at by the Commission, but rejects its detailed proposals and denies that it is an urgent priority.

The Boiteux committee concludes that a 2 per cent bandwidth for VAT rates, or the equivalent of the currency fluctuations permitted in the EMS, is the maximum which would avoid trade distortions.

"Our committee estimates that, in the absence of complete unification, the Commission proposals cannot be accepted by France if, in the event, the normal rate for our country were to be more than two points away from the lowest normal rate in the Community."

In the absence of this degree of harmonisation, the committee proposes an interim arrangement, under which exports, instead of being VAT-free, would be invoiced with VAT at the rate of the importing country. Even this arrangement, however, would require a substantial simplification of the French system, which would also be desirable in itself.

At present France has one of the most multi-layered VAT systems in the Community, with four reduced rates running from 2.1 to 7 per cent, a normal rate of 18.6 per cent, and a higher rate of 33.3. The committee implies, and Mr Balladur agrees, that France needs to move by stages towards two rates (a normal and a reduced), but that, in the meantime, there would be several intermediary rates.

Balladur: no priority

The budgetary cost of moving towards a two-rate structure (18.6 and 7 per cent) would be a loss of FFr14bn (£1.4bn), plus another FFr16bn if domestic heating and lighting energy were classified (as the committee argues) at the lower rate.

On excise taxes, the committee broadly endorses Commission proposals for an alignment of taxes on spirits and tobacco at a common European average level, which would lead to an increase in French revenues of FFr7.5bn for spirits and FFr8.5bn for tobacco. It is less enthusiastic about a corresponding harmonisation of excise duties on refined petroleum products, which would lead to a tax loss of FFr10.5bn.

Mr Balladur by contrast endorses the harmonisation of tobacco duties, for health reasons, and excise on certain industrial fuel oils, but opposes that on petrol and spirits.

He claims that the harmonisation of taxation of savings and portfolio investment should have a higher priority than other forms of tax harmonisation. The committee argues that the model to aim at is a generalisation throughout the Community of withholding taxes on portfolio investment, and a concerted harmonisation of the rates of tax, so as to avoid tax incentives for capital flight.

Setback for Austrian coalition on tax reform

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition Government suffered a serious setback on Wednesday night after Mr Johannes Ditz, the State Secretary for Finance, resigned over the continuing row on a major tax reform.

Mr Ditz, a member of the conservative People's Party (OeVP), the junior partner in the coalition, and one of the main experts in drawing up the tax reform, handed in his resignation after a short but stormy meeting with Mr Alois Mock, the Vice Chancellor, Foreign Minister and head of the OeVP.

Mr Mock said the grounds of trust had been broken between him and Mr Ditz who, as one of experts advising the Government, supported the idea of introducing a Quellensteuer, or withholding tax on savings, which up until now have remained untaxed.

The OeVP leader had repeatedly opposed any introduction of the Quellensteuer. During the 1986 election campaign Mr Mock told his electoral constituency in Niederoesterreich, which accounts for half the OeVP's total vote, that he would not tax savings.

But his uncompromising stance, besides threatening the future of the coalition, is leading to a deep split within the OeVP.

His opposition to the Quellensteuer as well as his steadfast support for Mr Kurt Waldheim, the Austrian President, who was found by an international commission of historians to have lied about his wartime activities, has contributed to the OeVP's poor showing in the opinion polls.

In recent weeks, the popularity of Mr Franz Vranitzky, the Chancellor has risen, leaving the OeVP increasingly disillusioned and divided on how best to respond.

"We want to stick with the coalition to show it can work, but Mr Mock is making it very difficult," a senior OeVP official said. "We cannot pull out of the coalition and force an election because we are simply not ready, yet Mock seems to be forcing a collapse of the Government," he added.

According to OeVP and Socialist party officials, the chances of pushing through the tax reform are now very slim. Mr Vranitzky yesterday said the tax reform would have to be agreed on by next week at the latest.

Norwegian wages freeze clears first hurdle

BY KAREN FOSSLI IN OSLO

NORWAY'S minority Labour *Government last night cleared* the first hurdle in its proposal to implement a 5 per cent wage and price freeze.

A proposal for a temporary freeze, until formal legislation can be passed, cleared one house of parliament and is expected to be fully approved by Saturday. The Government will then propose its formal bill on March 11, which could, in a reversal of the temporary freeze, provide for an opening for some wage negotiations at the local level.

Under the new law, which is expected to clear the Storting *(Parliament) by the end of March,* wages are not to increase beyond a 5 per cent ceiling and dividend payments cannot be paid out at a level higher than the previous year's while new companies cannot pay a dividend on their first year operations.

Prices, however, will not formally be frozen, but will be monitored by pricing authorities to ensure that they do not exceed acceptable levels. The freeze has been implemented by the Government to cut inflation and revive Norway's sagging economy.

Hungary plans company reform

BY LESLIE COLITT IN BUDAPEST

HUNGARY is to introduce a law this year permitting private persons to own jointly state manufacturing and service companies and to establish their own joint stock companies.

Mr Laszlo Antal, an economic adviser to the Government, said yesterday that individual Hungarians would be encouraged to invest in big state companies and could obtain a majority holding in them. For several years Hungarians have been able to buy bonds in state companies.

The critical state of the Hungarian economy is a driving force *behind the new company* reforms, designed to give new impetus to efficient production.

Under the new legislation, shareholding in state companies by private persons and co-operatives will be permitted in existing companies and new joint ventures. Limited liability private companies will also be allowed in manufacturing and services.

"We are now discussing how large these jointly-owned companies could be," Mr Antal said.

There was agreement that individuals should be allowed to obtain a majority of shares in state companies.

Mr Edi Bako, managing director of the Hungarian national bank, *said the new laws' significance* was that the state would no longer be the only big owner of the means of production.

Meanwhile, Hungarian company managers, who are under conflicting pressure from the government and the market place, will soon benefit from training to be offered by two Western management schools which will soon open in Budapest.

The Soros Foundation in the US, together with the Hungarian Credit Bank and the Ministry of Industry, will open a Western-style school of management this year in co-operation with the University of Indiana. Another managerial institute is to be set up shortly with the backing of West German industry and the Deutsche Bank.

Guy de Jonquieres concludes his series with two views from Europe's most powerful economy of the approach of the EC single market

Inviting West German financial markets may prove hard to break into

TWO RIVAL shoe salesmen arrive in an African country. After briefly researching the market, both send cables home. One reads: "No hope here, nobody wears shoes." The other says : "Fantastic opportunities, everyone is barefoot." Viewed from outside, West Germany's banking and finance system invites a similarly ambivalent response. No country in Western Europe possesses a financial market which is so under-developed in relation to its size. Yet few present more formidable obstacles, both visible and submerged, to prospective *new entrants.*

The paradox raises important questions as the European Community struggles towards its goal of a single market in financial services. Will West Germany, the most powerful economy in Europe, simply stay on the sidelines, thereby limiting the scope of liberalisation? Or will it be shaken up as competition intensifies?

So far, the old ways have shown remarkable powers of survival. Though some of its capital market regulations have been relaxed in the past few years, many of the turbulent currents of *innovation and change which* have swept through the world's other financial centres have passed West Germany by.

Securitisation, financial futures, commercial paper, money market funds, leveraged buy-outs and hostile takeover bids – all are still virtually unknown in West Germany. The new technologies, too, remain *largely under wraps, no doubt* partly because of the rigid restrictions and high charges imposed by the Bundespost, the national telecommunications monopoly.

West Germany has only a third as many automatic bank teller machines as Britain or France. Use of credit and charge cards remains rare and has been actively discouraged by the big commercial banks. A recent survey *by Lafferty Business* Research of London found that 62 per cent of West German business entertainment is paid for in cash, roughly twice the proportion in the UK and France.

It is relatively simple for foreign institutions to obtain official *authorisation to set up in West* Germany. The challenge is how to win profitable business there. Its financial markets are subject to exceptionally strict regulation, which extends to vetting financial products and specifying what may be sold. Thus, the terms of, say, *most life insurance policies* are remarkably similar, with companies competing on price (not always very hard) and customer service.

This means that many products and services carry what amounts to a government seal of approval – *but at the cost of* variety. Asked why they do not innovate more, West German financial institutions invariably reply : "The regulators would never allow it." Ask the regulators, and the usual answer is : "There is no demand for it."

The West Germans insist their regulations are essential to prudential security. However, this "safety first" approach has not prevented serious difficulties – and even dramatic collapses – at several banks in recent years, due in some cases to fraud and mismanagement which eluded official supervisors until too late.

There is also a strong hint of *regulatory capture. "The really* conservative elements in insurance are the companies," says a senior manager of a foreign financial group operating in West Germany. "They have no interest in allowing newcomers in because it would mean more competition and product differentiation." Furthermore, banks have long been exempt from the country's tough anti-cartel laws.

However, change is in the air. Under the single market plan, *governments could no longer* impose their own regulations on institutions headquartered in other EC countries, which would be directly controlled by their authorities at home. That could put financial industries based in highly restrictive countries at a *disadvantage.*

The prospect has increased pressure among bigger West German banks for policy actions to expand and strengthen national securities markets, which are strikingly under-developed and fragmented, particularly by comparison with the powerful commercial banking system. Among their key demands are a relaxation of tight restrictions on the range of authorised market instruments and the amount of equities which institutional investors may hold in their portfolios.

More generally, many people in Frankfurt, the country's main financial centre, complain that politicians in Bonn are insensitive to their needs. The Federal Government's abrupt decision last year to impose a 10 per cent withholding tax was widely seen *as proof of such indifference.* "This country does not have a vision or a strategy for meeting *international financial competition,*" complains a senior Deutsche Bank executive.

The banks need, of course, to be careful not to open the door *too wide to outsiders. Not that* they need worry too much. Many foreign competitors complain bitterly that official regulations are only one line in a complex defence system. "The Germans have any number of ways to keep you out of their market," says Mr François Henrot, planning director of Compagnie Bancaire, a leading French financial services group.

For instance, many West German insurance companies will cover industrial products only if they are designed to West German *standards. Since the insurers* collaborate closely with manufacturers to design both standards and products, outsiders can have a tough time breaking in.

A much larger issue is the role of the commercial banks and insurance companies as shareholders. *Not only do they own* huge shareholdings, mostly carried on their balance sheets at a fraction of their market value, but the banks also exercise many proxy votes on behalf of their account-holders.

Foreign competitors often allege *that West German banks* and insurers use their shareholdings in industrial companies to ensure that the latter remain loyal customers. The West Germans insist loudly that this is an exaggeration. However, they have also protested just as vigorously at a recent EC proposal to limit banks' equity stakes in industry.

Share ownership can also be a useful deterrent to potential competitors, such as retail chains, which are increasingly offering their own payments and credit *facilities. "For the time being we* are relaxed about this trend," says an executive of the large Commerzbank. "West German banks have big shareholdings in many leading retailers, so the competition from them is rather tame."

Nonetheless, with enough persistence, outsiders can win worthwhile business in West Germany. The French-owned Equity and Law life insurance company has carved out a niche by persuading *government regulators* to allow it to launch more flexible policies, undercutting its *established* competitors' rates by as much as 45 per cent.

Britain's Lloyds Bank acquired a valuable roster of small- and medium-sized corporate customers in 1984 by buying Schröder Münchmeyer Hengst (SMH), a Frankfurt-based bank badly damaged *by the collapse of the IBH* construction group. But though SMH has returned to profit and expanded its business, it has not been easy. The bank recently closed its Stuttgart branch after failing to break into the local market.

"It's not just a question of domination by the big banks," says Mr John Hobley, SMH's chairman. "It's a natural conservatism on the part of company owners. They want to sniff you out and check around. *Then if they think* you're good, they'll give you some business. But it may not be profitable, so then the trick is to talk them into giving you something more rewarding."

Ultimately, ingrained caution may be West Germany's *strongest defence against foreign competition.* Most individuals are wary of borrowing except for house purchase, while fancy financial innovations and promises of superior investment performance have limited appeal in a country where the overriding goal is *to preserve capital,* not increase it.

Equities are so widely shunned *that they account for only about* 5 per cent even of the West German private banks' pension funds. Overwhelmingly, savings go into deposit accounts, fixed interest securities or special tax shelter schemes. And why change – especially after the stock market crash – when for 20 years until 1984 fixed interest investments consistently yielded higher after-tax returns than West German equities?

But if West Germany's own markets appear set to alter only *gradually, how are its financial* institutions likely to perform on the wider EC market? Some quite large ones, such as Commerzbank, say they are chiefly interested in *consolidating their business* at home, while many smaller banks and insurance companies are already being squeezed by fiercer domestic competition.

However, Deutsche Bank and the Allianz insurance group, each among the European leaders in its respective industry, have *ambitious EC expansion plans.* While they may still have some catching up to do on international markets, they have huge financial and human resources and are widely considered to be well managed.

"Don't judge them by how they behave on their home market, they're out to protect it," says *one foreign competitor. "They are* sharp outfits and they will be more and more aggressive abroad."

Previous articles in the current series appeared on February 19, 23, 29, March 1 and 3.

Bangemann presses for structural changes

WEST GERMANY'S Economics *Minister,* Mr Martin Bangemann, yesterday stressed the need for structural changes *aimed at making the country's* economy more dynamic and flexible, but reasserted Government confidence in growth prospects for 1988, writes *Andrew Fisher in Frankfurt.*

The Government's growth forecast for this year is between 1.5 and 2 per cent, and Mr Bangemann said this was a realistic estimate, especially since the OECD had just revised its West German *growth projections upwards* from 1.5 to 1.75 per cent.

"I am not pleading for a *naive optimism in the hope* that the risks dissolve themselves, but for a sober realism," he said in a parliamentary debate on the economy. *As positive signs, he cited: the* latest rise in industrial output; the rise in capacity utilisation; the relatively high level of order inflows; and the sharp rise in private consumption.

But looking to the longer term, he devoted a large part *of his speech to reforms* needed to loosen restrictions on the West German economy by cutting subsidies further, relaxing curbs on shop hours, easing industrys tax and wage burden, and opening up markets like telecommunications *to freer competition. The* continued high unemployment rate showed that as well as the dampening effect of external factors – the D-Mark has risen sharply over the past year – there was a backlog of required structural changes.

Yesterday's unemployment figures for February showed only a slight improvement, with 2.52m people, or 9.9 per cent of the workforce, without a job. This was 2,200 lower than in January, and Mr Heinrich Franke, president of the *Federal Labour Office, said he* had hoped for a bigger drop, since the weather had been better than normal.

Mr Bangemann, a member of the liberal Free Democrats (FDP) who advocate more privatisation and deregulation, *admitted the labour market* was still causing concern and would remain unsatisfactory this year. The lack of jobs reflected the slow pace of industrial investment.

But factors which could *endanger long term* competitiveness included high wage levels, high corporation tax rates, the costly social system, and numerous inflexibilities in important markets such as telecommunications,

Traditional corporate financing system faces a severe test

"WE GERMAN banks have always been a rather conservative bunch who have not been too keen on promoting innovation *for its own sake,*" says a Commerzbank economist. "Since October 19, we feel we weren't altogether wrong."

The country's palpable prosperity and towering export record make such smugness hard to fault. Though many of its industries are now feeling the pinch, it is not for lack of commitment from their banks. Indeed, West Germany's preponderantly debt-based system of corporate finance has long been praised abroad for giving industry just the kind of support which stock markets are often accused of failing to provide.

Freed from short-term pressures to boost earnings and share prices, managers can concentrate fully on running the business under the watchful eye of bank shareholders who remain committed through good times and bad. If problems develop, the banks are ready to safeguard their investments by intervening decisively – *even ruthlessly – to re-order companies'* affairs and change top management.

But the system has its critics in West Germany who argue that today's *business conditions require a wider* variety of corporate financing methods which rely more on equity. Many critics point anxiously to a steady narrowing of the country's industrial base. While *vehicles, capital goods and* chemicals remain strong, few new activities have sprung up to replace other once-proud sectors now in inexorable decline, such as shipbuilding *and steel.*

The fast-growing fashion industry is one exception. But consumer services businesses remain stunted while, despite generous government subsi*dies and efforts* to encourage venture capital, creation of high-tech start-up firms lags far behind the UK. Nor are there too many fast-growing newcomers even in areas of proven West Ger*man strength. According to* Bonn officials, no manufacturing company founded in the past 15 years yet has an annual turnover of DM1bn (£335m).

How quickly change comes may *depend partly on* how well the traditional corporate finance system survives. An important source of the banks' strength is their ability to finance assets cheaply from a vast and *stable pool of retail deposits.* Management consultants McKinsey estimate that West German commercial banks' earn almost three-quarters of their total net profits from individual account-holders.

The ability to cross-subsidise losses on some activities from profits on others is central to West Germany's "universal banking" system. Potentially, however, those profits are a tempting target for enterprising competitors *prepared to woo account-holders with* a higher rate of interest on their funds.

So far, the threat has been kept at bay. The West German banks and insurance companies between them keep a tight grip on retail distribution channels for financial services, while high-yielding money market funds are banned by law. However, things could change after 1992, with potentially far-reaching implications for the structure of West German banking and corporate finance.

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American presence in Europe 'must be maintained'

Following are excerpts of a declaration issued yesterday by Nato leaders at the end of their two-day summit meeting:

The purposes and principles of our alliance

. . . The security in freedom and the prosperity of the European and North American Allies are inextricably linked. The long-standing commitment of the North American democracies to the preservation of peace and security in Europe is vital. The presence in Europe of the conventional and nuclear forces of the United States provides the essential linkage with the United States strategic deterrent, and, together with the forces of Canada, is a tangible expression of that commitment. This presence must and will be maintained. . .

Likewise, a free, independent and increasingly united Europe is vital to North America's security. The credibility of Allied defence cannot be maintained without a major European contribution. We therefore welcome recent efforts to reinforce the European pillar of the Alliance, intended to strengthen the trans-Atlantic partnership and Alliance security as a whole.

The Atlantic Alliance cannot be strong if Europe is weak. . .

Our aim will continue to be to prevent any kind of war or intimidation. By maintaining credible deterrence the Alliance has secured peace in Europe for nearly 40 years. Conventional defences alone cannot ensure this; therefore, for the foreseeable future there is no alternative to the Alliance strategy for the prevention of war. This is a strategy of deterrence based upon an appropriate mix of adequate and effective nuclear and conventional forces which will continue to be kept up to date where necessary.

While seeking security and stability at lower levels of armaments, we are determined to sustain the requisite efforts to ensure the continued viability, credibility and effectiveness of our conventional and nuclear forces, including the nuclear forces in Europe, which together provide the guarantee of our common security. . .

We want gradually to overcome the unnatural division of the European continent, which affects most directly the German people. . .

The search for improved and more stable relations with the Soviet Union and the other countries of Eastern Europe is among our principal concerns. We call upon these countries to work with us for a further relaxation of tensions, greater security at lower levels of arms, more extensive human contacts and increased access to information. We will continue the effort to expand co-operation with the East wherever and whenever this is of mutual benefit.

East-West relations: the way ahead

We have noted encouraging signs of change in the policies of the Soviet Union and some of its allies. This creates the prospect for greater openness in their relations with their own people and with other nations. We welcome such progress as has been already achieved in certain areas. But we look beyond pronouncements for tangible and lasting policy changes addressing directly the issues dividing East and West.

However, we have to date witnessed no relaxation of the military effort pursued for years by the Soviet Union. The Soviet Union persists in deploying far greater military forces than are required for its defence. This massive force, which the Soviet Union has not refrained from using outside its borders, as is still the case in Afghanistan, constitutes a fundamental source of tension between East and West. . .

We will continue to be steadfast in the pursuit of our security policies, maintaining the effective defences and credible deterrence that form the necessary basis for constructive dialogue with the East including on arms control and disarmament matters...

Arms control is an integral part of our security policy. We seek negotiations not for their own sake but to reach agreements which can significantly reduce the risk of conflict and make a genuine contribution to stability and peace. . .

The recently concluded INF agreement between the US and the Soviet Union is a milestone in our efforts to achieve a more secure peace and lower levels of arms. It is the impressive result of the political courage, the realism and the unity of the members of the Alliance. The treaty's provisions on stringent verification and asymmetrical reductions provide useful precedents for future agreements. . .

Consistent with their security requirements, the 15 Allies concerned will make use of all possibilities for effectively verifiable arms-control agreements which lead to a stable and secure balance of forces at a lower level. For them, the comprehensive concept of arms control and disarmament includes:

● A 50 per cent reduction in the strategic offensive nuclear weapons of the US and the Soviet Union to be achieved during current Geneva negotiations,

● The global elimination of chemical weapons,

● The establishment of a stable and secure level of conventional forces, by the elimination of disparities, in the whole of Europe, and

● In conjunction with the establishment of a conventional balance and the global elimination of chemical weapons, tangible and verifiable reductions of American and Soviet land-based nuclear missile systems of shorter range, leading to equal ceilings.

The resolution of East-West differences will require progress in many fields. Genuine peace in Europe cannot be established solely by arms control.

We agree that the speedy and complete withdrawal of Soviet troops from Afghanistan and the effective restoration of that country's sovereignty would be of major significance. . .

We hope that at their forthcoming summit in Moscow President Reagan and General Secretary Gorbachev will be able to build upon the progress achieved at their Washington meeting last December. We strongly support the efforts of the United States. These fully accord with our consistent policy to seek, through high-level dialogue, early and substantial progress with the Soviet Union on a full range of issues, including greater respect for human rights, arms control, and improved opportunities for bilateral contacts and co-operation.

PRESIDENT François Mitterrand and Prime Minister Jacques Chirac yesterday gave a clear foretaste of their foreign policy stances in the forthcoming French presidential election, by offering differing interpretations of the Nato summit, writes David Buchan in Brussels.

At a joint news conference, both underlined that it was the first time since the Gaullist era that a French president had attended a Nato summit, but that this did not alter France's policy of remaining formally outside the Western alliances integrated military structure.

But Mr Mitterrand stressed the reason why he had chosen to attend was that it was the first Nato summit totally devoted to disarmament issues. By contrast, Mr Chirac underscored the summit's importance in reaffirming the need for a strong nuclear-based defence in Europe.

He showed his sensitivity to the West German desire for some further progress in reducing short-range nuclear weapons by saying that while for the moment "the necessary priority" for Nato was to focus on conventional arms control, this should "not exclude other negotiations".

The French Premier, for his part, placed more emphasis on nuclear armament, as distinct from disarmament. France, he said, was "today listened to and respected within Nato because of its courageous efforts to modernise all its forces, nuclear and conventional". He was thus one of the few leaders yesterday to mention the sensitive word "modernisation".

Formally, France is not involved in the Nato wrangling over how and whether to implement the 1983 Montebello nuclear modernisation accord, because it does not take part in Nato nuclear planning.

Mr Chirac also said France would continue to play its full role in the Atlantic-to-the-Urals conventional force reduction talks in Vienna. This verbal commitment is significant because this is the first French involvement in East-West arms control, though in practice Nato officials complain this involvement has somewhat slowed progress in Vienna.

Italian defence plan will boost spending by 60% over decade

BY JOHN WYLES IN ROME

MR VALERIO ZANONE, the Italian Minister of Defence, is putting the finishing touches to a multi-annual procurement plan which will seek to raise equipment spending by around 60 per cent, or L30,000bn (£13.5bn), in the next 10 years.

The plan will be the first attempt for 13 years to take an overall view of defence procurement related to the country's changing strategic requirements. The minister's political aim is to secure parliamentary endorsement for his planning approach which could serve both to establish a political consensus and to strengthen the ministry's bargaining position with the Treasury over budgetary entitlements.

Defence officials believe the procurement plan will survive the next political crisis and Mr Zanone's replacement, if that is one of its results. Many of its proposals are said to be indispensable modernisation of equipment, while others aim at coping with a new sense of vulnerability about Italy's southern flank which arose after Libya's missile attack on the island of Lampedusa in 1985.

Italy spends around 2.7 per cent of its gross domestic product on defence and about L5,000bn a year on equipment. Traditionally, the requirements of the army, navy and air force have been satisfied more by crude lobbying power than by any attempt at coherently balancing demands.

But officials say the new plan represents an agreed approach among the three armed services based on strengthening the air force's missile interception capacity, the army's mobility and field communications and the navy's ability to maintain a fleet whose effectiveness is not continually weakened by refitting and maintenance needs.

The proposals will include the purchase of the US Patriot anti-aircraft missile and of some British Harriers for deploying on Italy's helicopter carrier, the Garibaldi. A decision on the Harriers has been held up for more than two years by shortage of funds and by an air force veto, dropped last November, on the navy acquiring an air capability.

The defence plan is also expected to make some reference to Italy's readiness to accept the 72 US F16 fighter bombers which are to be withdrawn from Spain. Officials say a new air base will have to be built. The Italian government is expected to propose a site in the south of the country, to boost the regional economy.

EC faces up to merger worries as 1992 beckons

BY WILLIAM DAWKINS IN BRUSSELS

THE NEED to have clear EC controls on mergers has never been more pressing. The number of huge cross-border takeovers, some of which threaten to carve up markets or distort competition, is steadily growing in the run up to the formation of a single European market by 1992.

That, at least, is the argument put forward by supporters of controversial proposals to give the European Commission powers to vet trans-frontier takeovers and demand changes to such deals in advance, tabled a few days ago by the Brussels authorities.

They point to the British Airways takeover of British Caledonian as a prime example of a deal where the Commission might need to intervene to enforce fair competition.

Sutherland: hopes to be substantially down the road to winning approval for new regulations by June

At the same time, Mr Carlo De Benedetti's onslaught on Societe Generale de Belgique or the offer by Pearson, the UK publishing group, for Les Echos, the French business daily, are examples of takeover attempts that have met national legal and political barriers. Brussels might possibly want to challenge such obstacles with the help of such a regulation.

Whether the regulation, put forward by Mr Peter Sutherland, the European Commissioner for competition policy, will really work out like that is another matter. An earlier scheme was blocked by British and French fears that it would add an unnecessary and cumbersome new layer of bureaucracy.

Brussels' new merger control plan tries to answer these worries by making the Commission vet mergers faster than proposed earlier and by keeping its its nose out of deals that are of purely national importance.

So when it comes before EC trade and industry ministers at a meeting on June 22, Mr Sutherland hopes "to be very substantially along the road" to winning their approval, needed to put the scheme into effect.

Under the proposal, nearly all mergers, takeovers or joint ventures with combined annual turnovers of more than Ecu1bn (£690m) must automatically notify a Commission merger control unit before going ahead with the deal. That figure refers to world, rather than Community sales of the companies involved and applies to anybody acquiring operations inside the EC, even if the bidder is not European. So long as the deal has an impact inside the EC, it is potentially covered - a concept which also exists in other areas of Community competition policy.

The exceptions are when the company being taken over has annual sales of less than Ecu50m, or when more than three-quarters of the merged groups turnover is in one member state; a clause slipped in to counter fears that the Commission was trying to over-ride the powers of national takeover authorities. Financial services companies have different criteria: banks and financial institutions are covered if their combined assets are worth more than Ecu10bn, while insurance companies are caught if their joint premium income is more than Ecu1bn.

Brussels estimates that, overall, between 100 and 150 deals annually would have to be notified, of which it would change or block maybe two or three.

If the Commission says nothing two months after accepting notification, the merger can go ahead regardless. But if Brussels has objections, it is asking for another four months - a total decision-making time of 6 months after notification - to make a ruling.

The deal must be suspended while Brussels makes up its mind, otherwise, according to the proposal, the Commission can ask for the takeover to be unwound or changed in retrospect. There is, however, a let-out for public takeover bids, which clearly could not declare an amnesty while Brussels does its investigations. So long as the bidder has warned Brussels, he can go ahead without hindrance - on condition that he does not exercise voting rights on "the shares in question."

One of the most sensitive questions invited by the proposal is just where the Commission is to draw the line on anti-competitive mergers. The answer to that was clarified by an important European Court of Justice ruling on a link-up between two tobacco multinationals.

The ruling said that Brussels should intervene not just where the merger produces an abuse of a dominant position but where it produces or strengthens dominance, defined in the regulation as 20 per cent market share. In making up its mind about distortions of competition, Brussels will also look at "the possibilities of choice of suppliers and consumers . . . the market position and the economic and financial power of the undertakings," says the regulation.

It would give Brussels apparently Draconian powers to enforce the rules, though in practice they are not very different from what it is already allowed to do to investigate and fine cartels. This is one of the very few areas where the Commission has a real policing role. Brussels is also asking for the power to mount surprise raids on the companies involved, seize books and records and demand explanations on the spot.

While the rules might give Brussels more power than some national anti-trust authorities would like, they have been given a cautious welcome by industrial lobbies in Brussels on the grounds that compared to existing competition rules, they are at least relatively clear.

OVERSEAS NEWS

Arabs want to take all Israel, claims Shamir

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK SHAMIR, the Israeli Prime Minister, has denounced King Hussein of Jordan for allegedly endorsing "the most extreme" position in the Arab world.

He also repeated long-standing Israeli charges that the Arabs would not be satisfied with recovering the territory lost in 1967, but wished to occupy all of modern Israel.

Speaking on the eve of yesterday's resumption of the peace mission of Mr George Shultz, the US Secretary of State, the right-wing leader insisted that he would not budge from the provisions of the US-brokered Camp David accord of 1978 with Egypt.

Mr Shamir told a conference of US Jewish leaders in West Jerusalem. "This very place where we are meeting now in Jerusalem, and Tel Aviv, and Jaffa, and Haifa, and the Emeq (a district of northern Israel),and the Galilee are, inthe eyes of the Arabs, occupied territories that belong as of right to the Arab people."

His speech drew a swift riposte from Labour Cabinet members. Mr Ezer Weizman said the remarks about the Arabs wishes were "irresponsibility of the first degree"; while Foreign Minister Shimon Peres said early elections would be required if Mr Shultz received a negative reply from the Prime Minister during the coming days.

Mr Shamir's reversion at this moment to sentiments which Israeli politicians rarely display in public nowadays appeared to owe much to the growing pressure within his Likud bloc to reject the Shultz package out of hand.

Earlier this week, Mr David Levy, a Deputy Prime Minister and rival for the party leadership, described the US proposals as "dangerous" and called for early elections.

Shamir: growing pressure from within Likud

At a meeting of the Likud Ministerial forum on Wednesday, Mr Shamir is reported to have reiterated his suggestion of last October to Mr Shultz, that an international conference could be circumvented through issuing a joint invitation by the US and the Soviet Union to Israel and Jordan *for talks*.

MEDIA'S ROLE IN THE PALESTINIAN UPRISING CRITICISED

Israel blames press for its woes

BY ANDREW WHITLEY

A PRINTING press in a West Bank Jewish settlement has begun distributing car stickers in English saying "TV – Press", free of charge. Dozens of settlers have already snapped up the boldly printed posters, to display prominently on their windscreens when making their hazardous daily journeys through Arab villages.

"It works," boasts Mr David Kapach, owner of the Ofra press, whose brainwave it was. "The Arabs don't attack the press. From now on we'll all drive (in the occupied territories) with press stickers. They will have to decide whether to throw stones at everyone or at no-one".

After a shower of smashed windscreens and injuries from brickbats in the early days of the uprising, the hundreds of Western journalists travelling in the West Bank and Gaza Strip nowadays plaster their Israeli licence-plate cars with similar placards, in English and Arabic.

The enterprising Mr Kapach was not the first to come up with *the* idea of using the press as a cloak. The army has already admitted sending its own men into the Gaza Strip under the guise of television film crews, to help identify the ringleaders of demonstrations for future arrest.

Palestinians freely admit that one of their principal goals is to sway world opinion in their favour; and Israelis of all descriptions have seized on this point to put the blame for their woes onto *the shoulders of a profession they* distrust even in normal times.

Likud ministers at Sunday's Cabinet meeting renewed their call for the media to be barred from entering the occupied territories after being angered and embarrassed by television coverage of soldiers breaking the limbs of bound Arab youths.

Prime Minister Yitzhak Shamir is known personally to favour banning the press entirely from the West Bank and Gaza. He first raised the idea informally with *Chief of Staff Dan Shomron* several weeks ago, only to be reluctantly persuaded that such a ban would be impossible to enforce. On Monday he returned to the subject, warning that he would after all consider imposing the ban if it could be demonstrated by the security forces that it would help reduce the violence.

In practice, the stream of damaging publicity for the Israeli army, with the conviction of senior officers that the presence of the media only complicates their task, has in recent weeks led inexorably to a gradual tightening of restrictions on coverage of the occupied territories.

Local unit commanders have until now been given considerable discretionary authority to declare districts to be "closed military areas" on an ad hoc basis, preventing journalists from entering. Earlier this week, Gen Amram Mitzna, commanding officer for the West Bank, was reported by a leading Israeli newspaper as having decided to prohibit journalists from entering certain designated "hot" areas on Fridays, the Moslem holy day.

The army's schizhophrenia towards the television cameras was graphically revealed last week when a US crew was first escorted into an Arab village to record scenes of Palestinians killing Palestinians, and then had its film confiscated. Refusing to return the film, a spokesman said that its contents showing the lynching of a collaborator would be damaging to Israel's security if broadcast.

Victor Mallet reports from Nairobi on Moi's efforts to clean up his country's image

Fragile stability returns before Kenyans vote

AFRICAN elections are usually curious affairs, and Kenya's general *election on March 21* is no exception. Only one political party, the ruling Kenya African National Union (Kanu), is allowed to participate, and President Daniel arap Moi has been firmly entrenched since the end of February *in his third term* as head of state. No-one stood against him.

Faced with such clear-cut results, the uninitiated might expect the Kenyan parliamentary election to be conducted with an *air of quiet resignation. Nothing* could be further from the reality.

While it is true that matters of national policy are barely mentioned, let alone disputed, personality clashes and controversial local issues in each constituency *ensure that campaigning* is vigorous and sometimes violent. Kenyans loyal to a particular candidate are not averse to buying votes with beer or money, nor to intimidating, stoning or even kidnapping their opponents.

Despite the restrictions of a one-party state, the elections can also have a profound, if indirect, influence on Kenyan national politics and on the country's economy. Anxious to show tolerance, Mr Moi freed nine political prisoners on the day he called the election. Keen to show largesse, he risks undermining a stringent economic recovery programme backed by the International Monetary Fund.

There is little doubt among diplomats in Nairobi that at the age of 64 the pro-Western Mr Moi, who succeeded Mr Jomo Kenyatta in 1978, is much more confident and politically more secure than he was a year ago.

Following the hurried and sometimes irregularly conducted trials of more than 70 people suspected of belonging to the underground socialist movement, *Mwakenya* (a Swahili acronym meaning the Union of Nationalists to Liberate Kenya), the government seems to think it has *reduced the threat of subversion* to an acceptable level. Officially three men, two of whom are lawyers and all of whom have sued the state for *alleged torture*, are still detained without trial in Kenya.

After weathering an international storm over the country's human rights record, the unpredictable and wily Mr Moi has yielded some ground to *his critics* by releasing other detainees, encouraging a clean-up of a police force notorious for mistreatment of prisoners, and moving aside his hard-line Security Minister, Mr Justus ole Tipis, to the Ministry of Works. Peace, at least for the moment, has been made with the more radical government of Uganda after recent border *clashes*.

Among those recently freed is Mr Raila Odinga, the son of veteran socialist politician and former Vice-President Mr Oginga

Moi: unpredictable and wily

Odinga. Mr Raila Odinga, now 42, had been held since an abortive coup d'etat staged by the air force in 1982, much of the time in solitary confinement. He does not hide his dislike for the Government, nor his concern about what he sees as the widening gap between rich and poor.

"You cannot in my view violate human rights through detention without trial, intimidation of parliament, *pacification of the* trade union movement, censorship of the press, the imposition of a *de jure* one-party dictatorship, suppression of students' organisations - and still claim to be practising democracy," he said in an interview.

Mrs Margaret Thatcher, the British Prime Minister, certainly has no qualms about support for Kenya. Her visit in January, and another by Mr Helmut Kohl of West Germany last year, may both have helped in restoring Mr Moi's peace of mind. Mrs Thatcher and Mr Moi are said to see eye to eye on a number of issues, including a shared distrust of the British Broadcasting Corporation. Kenya receives more British aid than any other *African country*.

The return to some sort of fragile political stability in Kenya has not been matched by an improvement in economic performance, even if Kenya remains the envy of other countries on the continent.

After real growth of 5.7 per cent in 1986, Kenya suffered last year from a halving of its coffee export revenues, costlier oil imports, and poor rains. The economy probably grew by less than 5 per cent, only just ahead of the population growth rate of 4 per cent – which is thought to be the highest in the world.

Having survived without the IMF since the beginning of 1986, the Kenyan authorities acted with characteristic foresight as pressure on the country's balance of payments increased. They began negotiating with the Fund again in mid-1987 and reached agreement in last month *on IMF* assistance totalling about $170m over the next three years, an amount which will be supplemented by funds from other donors.

The IMF has applied its usual recipe for reform, insisting on the *lifting of many price controls*, tight credit ceilings, and a reduction of the budget deficit to a target of just over 4 per cent of gross domestic product in the current financial year. With foreign exchange reserves covering *only two or three months of* imports and debt service running at around 35 per cent of export earnings, Kenya is in for a difficult period.

Already the donors are starting to worry about the Government's *commitment* to cutting its spending on social services in an election year.

The Government has also been slow to set in motion new investment policies designed to reduce bureaucracy for foreign investors and encourage manufacturing in bond for export industries. A delicate political problem for the Government is that any liberalis*ation of the* economy tends to benefit the Asian minority which dominates the business world.

In the longer term it is population growth and *unemployment* which pose the greatest threat to stability in Kenya. Each year about 400,000 school leavers arrive in the job market, but only about a tenth find formal work. Neither the already overcrowded *fields, nor the* urban informal sector (known as *jua kali* – hot sun – after the outdoor jobs involved) can hope to take up the slack.

Rival supporters clash in Bangladesh election

SUPPORTERS of rival candidates fought each other and tossed *homemade bombs at polling* places in the Bangladesh capital during parliamentary elections yesterday, and observers reported voting irregularities, including the theft of ballot boxes, AP reports from Dhaka.

Police and witnesses said dozens were injured. The situation outside the capital was not immediately known.

Voters *found* some polling stations locked up, while other stations were open but had no voters.

Near Dhaka University, a fire station and fire truck were set ablaze by supporters of opposition parties who charged that workers from the governing Jatiya Party were trying to hijack ballot boxes

One election official was beaten up in front of reporters at a voting station *in the* Old Dhaka section of the capital, and another election official was reported stripped of his clothes and chased from his post.

Leading opposition parties had called for an election boycott, claiming that fair elections were impossible under the administration of President Hussain Muhammad Ershad.

The elections were to replace the parliament dissolved by Ershad in December in the early weeks of a campaign of strikes and protests aimed at forcing his resignation.

Despite the absence of candidates from the main opposition parties, candidates for the 300 parliament seats were fielded by 102 parties.

West German hostage freed

By Nora Boustany in Beirut

THE CAPTORS of Mr Ralph Schray, a West German hostage, freed him at dawn yesterday. He was handed over to Syrian intelligence officers, who escorted him to Damascus *via the Syrian-controlled town* of Anjar in the Bekaa plain, Syrian security officials said.

Mr Schray, 31, was driven in a convoy of three German-made luxury cars to Syrian intelligence headquarters overlooking the seafront on Beirut's southern edge at 5:30am local time, a senior adviser to Syrian military authorities disclosed.

Looking drawn the engineer, born to a German father and a Lebanese mother, staggered over to the Syrian post from his Hizbollah kidnappers after 36 days in captivity.

Soviet gold expert to tell all in Hong Kong

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Immigration Department broke with long-standing precedent yesterday when they allowed into the territory a Soviet government *official*.

The lucky man was Mr Eugene Ulianov, head of the Precious Metals Department of the Soviet Union's Bank for Foreign Trade, who is to be a keynote speaker today at the start of a two-day international gold conference arranged by Hong Kong's Chinese Gold and Silver Society.

Little is known about Moscow's *gold trading activities*, so his speech on the precious metals operations of the Bank of Foreign Trade was being flagged yesterday as offering potentially unique insights into Soviet gold bullion operations.

It is uncertain why the Hong Kong Government decided to make an unprecedented exception of Mr Ulianov. Hong Kong allows no diplomatic representation for Soviet bloc countries, and has long refused entry into the territory by Soviet bloc officials, apparently at the behest of Peking.

A signal that the Government's hard line was being relaxed came late last year when a Soviet musician was allowed to come into Hong Kong to perform at a concert. Plans for the Bolshoi Ballet to take part in the opening of a cultural centre in Hong Kong in 1989 have nevertheless been dropped, as organisers expected insurmountable complications obtaining approvals from the administration.

AMERICAN NEWS

Ortega fires peace talks mediator

By Charles Castaldi in Managua

NICARAGUAN President Daniel Ortega yesterday unexpectedly dismissed Cardinal Miguel Obando y Bravo as mediator in the peace talks and named his brother, Defence Minister Humberto Ortega, as his replacement.

The decision was announced after a 20-minute meeting with the mediator at the prelate's offices on Wednesday night.

Mr Ortega, indicating a big change in negotiating tactics, said his younger brother (both are members of Nicaragua's ruling Sandinista National Directorate) would be willing to meet with the Contra rebels on March 9, 10 and 11 inside Nicaraguan territory at the border post of Sapoa, a few miles north of the *Costa Rican border*.

Previously the Sandinistas had rejected Contra requests for talks to be held in Nicaragua.

The decision comes on the heels of a series of increasingly contentious exchanges in which the president and the cardinal blamed each other for the breakdown of the talks held in Guatemala last month.

Privately Sandinista officials were expressing increasing discomfort with what they termed the cardinal's more overt pro-Contra position in the talks.

During the Guatemala meeting the cardinal brought forward five points which were immediately accepted by the Contras – complete freedom of expression to be allowed by the Nicaraguan Government, a review of the compulsory draft, dialogue with the opposition, total amnesty for political prisoners and ceasefire zones which the Contras could enter armed.

The Sandinistas rejected some of these points because they consider them political and therefore outside the scope of the peace accords signed by Central American presidents on August 7.

US tax proposal

Democratic US Senator William Proxmire is to introduce legislation to remove a US tax law provision that lets Americans working abroad exclude up to $70,000 of income from being taxed, Reuter reports from Washington.

"*At a time when we are facing* a huge budget deficit, this one loophole will cost $1.2bn this year," Mr Proxmire said.

Brazilian salary measures rejected

BY IVO DAWNAY IN RIO DE JANEIRO

EMERGENCY measures to contain Brazil's public sector salary bill have been rejected by the Government despite dire warnings from the country's Finance Minister, Mr Mailson da Nobrega.

Mr Nobrega had proposed a three month freeze on the wages of federal civil servants and the armed forces in order to reform the pay system and reduce inflationary pressures.

In an explanatory paper presented on Wednesday to the Economic Development Council, he warned: "Continuing the current policy for the public sector will imply the absorbtion of all disposable revenues exclusively for the payment of staff."

But the measures, which would have meant substantial cuts in real purchasing power for public servants, were thrown out by ministers as unacceptable. Now Mr Nobrega and his Planning Ministry colleague, Mr Joao Batista de Abreu, are looking for alternative savings.

Speaking to reporters after the meeting, Mr Nobrega conceded that the proposals were "very serious, very hard" but also necessary. The minister is determined to avoid printing money to meet the pay bill as this would fuel inflation – currently near 18 per cent a month – still further.

Alternative proposals being perused include a reduction in the mechanism that gives pay rises linked to the average of inflation over the past three months – a system which itself means real pay reductions when inflation is rising.

Another option – mass dismissals of up to 100,000 workers – is equally unlikely to be acceptable to the government.

Mr Nobrega's conviction – widely shared by business – that inflation can only be contained with a sharp reduction in the public sector deficit has so far made little progress in terms of new measures. It is reported that efforts to cut ministerial spending programmes have also been blocked.

Meanwhile in Congress, a formidable lobby is now building up to resist any substantial increase in taxes.

Greenspan gives warning on interest rates

INTEREST rates in the US are unlikely to fall unless Congress can reduce the federal deficit faster than is required by the Gramm-Rudman programme, Mr Alan Greenspan, the chairman of the Federal Reserve, warned yesterday, *writes Anthony Harris in Washington.*

However, he said the Fed expects some rise in the deficit in fiscal 1988 after the "abnormal" fall in 1987, and did not think that this would worry the markets.

In his appearance before the House Budget Committee, he amplified some of the points he made before the Senate on Wednesday, and spelled out some of his views on fiscal policy. He *favoured expenditure taxes* over income taxes, but urged that the main burden of deficit reduction must fall on expenditure, especially under the hitherto untouched welfare programmes.

"Several rounds of deficit reduction have taken care of the easy cuts," he said. "Controlling outlays in the face of demographic pressures will demand a willingness to take bold, controversial actions. You all know the alternatives: the choices are political, not economic."

On the revenue side, he repeated his support for higher gasoline taxes. An increase of 15 cents per gallon would reduce the deficit by $15bn, and would foster frugal energy use. In general, he said that taxes on consumption might encourage private saving, while higher income taxes would probably have the opposite effect.

He added that the Fed would be disturbed if future budgets placed too much emphasis on asset sales for deficit reduction, or on the substitution of loan guarantees for existing credit outlays. These measures, he said, would have little or no effect in easing credit demand in the economy as a whole.

Mr Abrams' big moment

Lionel Barber on Washington's behind-the-scenes operator on Panama

MR ELLIOTT ABRAMS, the US State Department official in charge of Latin American affairs, has proved that, in Washington at least, there is life after death.

Mr Abrams, Washington's point-man on Panama, has over the past week been the behind-the-scenes operator orchestrating opposition moves and pressing the Reagan Administration to step up economic pressure for the ousting of Panama's military strongman, General Manuel Noriega.

Last summer it was a very different story. As the Congressional hearings into the Iran-Contra affair peaked, Mr Abrams' fortunes reached a nadir. His claims that he knew nothing of the secret White House operation to arm the Nicaraguan Contra rebels were sharply criticised in Democratic and Republican circles; after his testimony, there were calls for his resignation and some lawmakers vowed to banish him from Capitol Hill.

Thanks to the support of Mr George Shultz, the Secretary of State, Mr Abrams survived. Gradually, he has sought to rehabilitate himself, shifting his focus to other parts of Latin America and focusing on the drive for democracy in the region, including in right-wing dictatorships such as Chile and Paraguay. Panama is his big moment.

But Panama also presents big risks. While some believe Mr Abrams has in mind a Philippine-style transition to democracy, others argue that the two countries have little in common. The Philippine opposition to Ferdinand Marcos was far better organised than the presumed efforts in Panama City; furthermore, the Panamanian armed forces do not appear to suffer from the kind of splits in the Philippines military which eventually helped Mrs Corazon Aquino to power.

One US official, commenting on Mr Abrams support for the freezing of Panamanian assets in the US, said: "We have to be very careful not to move too fast. If the Panamanian people think Uncle Sam is stomping all over them, support for General Noriega could grow."

Mr Abrams – a New York-born lawyer who has never betrayed a lack of confidence in his own ability – would argue that his current preoccupation with Panama is perfectly consistent. In June last year, as the first Panamanian street protests against Gen Noriega erupted, he identified "the foremost public issue today" as democracy.

Mr Abrams' success is that he has convinced other sections of the US government – including the Pentagon – that the General must go. Late last year, it looked as if he and other administration officials were close to a deal. Then, for reasons which remain unclear, the strongman backed away.

Last month, Mr Abrams met with the then civilian figurehead president Mr Eric Arturo Delvalle in Florida. It seems he encouraged Mr Delvalle's plan to oust Gen Noriega even though he must have known it was doomed. Both men may have calculated that the spectacle of Gen Noriega removing yet another civilian president would provide a rallying point for the opposition.

The problem is that Mr Delvalle makes an unlikely opposition hero – he was installed by Gen Noriega – and the strategy still does not address the supremacy of the Panamanian military. If Mr Abrams and the Administration are to counter charges that Washington is merely reacting to events, they will soon need to provide an answer.

Dole campaign receives boost ahead of primary

REPUBLICAN presidential candidate Robert Dole won the backing of former UN Ambassador Jeane Kirkpatrick yesterday, giving his campaign a boost two days before the South Carolina primary election, Reuter reports from Washington.

Ms Kirkpatrick, a Reagan Administration colleague of Vice President George Bush, told a press conference she had more confidence in Mr Dole, leader of the Republican minority in the Senate.

"What I find in Bob Dole is a rockbed seriousness and a demonstrated capacity to lead, not just to take instructions," she said in a dig at Mr Bush's long list of appointive positions in government.

Ms Kirkpatrick, a favourite of the Republican party's hard right wing, added: "I have confidence that Bob Dole will know better how to protect our security."

But Mr Bush remains favoured to roll up a big win in the 17 states where Republican voters will choose among the party's presidential candidates on March 8, "Super Tuesday". On that day voters will select 803 of the 2,277 delegates to the Republican National Convention this summer, where the presidential nominee will be chosen.

Democratic voters in 20 states will choose 1,307 of their 4,162 national convention delegates on the same day. Polls show black rights leader Jesse Jackson and Massachusetts Governor Michael Dukakis in position to win the most delegates.

Also on the Democratic side, Missouri Congressman Richard Gephardt, who won important tests in Iowa and South Dakota, and Tennessee Senator Albert Gore are also expected to pick up valuable delegates.

A dozen of the Super Tuesday contests are in the south.

A big Republican fight in South Carolina and a minor contest in both parties in Wyoming on Saturday precede the Super Tuesday balloting.

Foreign investment is changing the face of the US, but not for the better say authors Susan and Martin Tolchin

Paying the high price of greed

A "TIDAL WAVE" of foreign investment washing over the US is quickly eroding the country's economic and political power, according to a new book called Buying into America, Reuter reports from Washington.

The husband-and-wife authors, Ms Susan Tolchin, a professor at George Washington University in Washington, and Mr Martin Tolchin, a New York Times reporter based in the US capital, travelled the country and sifted through piles of documents to find the extent of foreign investment in the United States.

They conclude: "Foreign investment is changing the face of America, the lives of Americans and the nature of our political process."

The Tolchins say there has been little objective talk or questioning of foreign investment. The Reagan Administration, they say, welcomes it with open arms.

"We are so greedy for foreign investment we don't care where it comes from," Susan Tolchin said.

"Our policymakers are only looking at the beneficial side and don't want to look at the problems. Our political and economic independence is being slowly compromised by all of this," she said.

Aside from the drain of profits headed abroad, there are indirect costs to the country, such as the loss of research and development units when a foreign group takes control of a US company.

"With the drop in the dollar, we're now a bargain," she said.

The level of investment has grown tenfold in the past decade, and "we expect it to grow even more than that over the next 10 years."

Much of the investment is never reported, the Tolchins say in their book, since US regulations are lax.

They even document the case of a Soviet group that nearly managed secret takeovers of strategically significant California finance companies several years ago. The Central Intelligence Agency thwarted them at the last minute.

"We are the most open system in the world in terms of welcoming outside investments," said the author, adding some 50 per cent of foreign ownership is not reported.

Begun four years ago, the book's release could hardly have been more timely. The US trade deficit has been viewed as one possible cause of the October stock market crash.

And political debate has been charged by the trade issue – most noticeably in the strong presidential run of Congressman Richard Gephardt, a Missouri Democrat who has made trade restriction a centrepiece of his bid for his party's nomination.

Not surprisingly, the book has caused controversy. The Wall Street Journal said the Tolchins were "fuelling foreign investment fear" with their book.

Business Week magazine disagreed with some conclusions of the book but applauded the Tolchins for adding to understanding of a problem that is "one of the most emotional yet poorly understood economic issues facing us."

Officially, the Tolchins found, foreign investment in the US is put at about $1,300bn. But investors from abroad may own $2,000bn or more in US assets, said Ms Tolchin.

"The US should follow the example of its trading partners and look more closely at how the flow of investment capital affects the flow of trade. But instead, "we tend to look at foreign trade and foreign investment as separate."

"We have to talk about what's happening – it's the biggest shift in capital in the history of the world. And we're not paying much attention to it. It's just coming to the tip of the American consciousness," she said.

Politicians have taken a short-sighted view of the problem, worrying most about sheltering local economies and, sometimes, their own political careers, she said.

"Senators have told us that they can no longer take an independent position on trade legislation because of the power of foreign investors in their home districts," Ms Tolchin said. "And in order to get jobs, mayors and governors are circling the globe looking for foreign investors."

In their book, the Tolchins paint a picture of these representatives from "Main Street America" being taken for a ride.

"They're (politicians) making great compromises" in the effort to help constituencies, she said.

While states and cities eagerly compete to offer the best incentives such as tax cuts and free land to get new plants and businesses, they are giving up valuable revenues and strategic advantages in the long run.

McDonnell will back production deal with Airbus

BY DAVID MARSH IN BONN

McDONNELL-Douglas, the US aircraft manufacturer, has welcomed the prospect of joint airliner production with the European Airbus Industrie group to challenge Boeing.

Mr Jim Worsham, chief executive of Douglas Aircraft Company, McDonnell-Douglas's civil aviation arm, said he was "very encouraged" by Tuesday's call from the four Airbus partner-governments for fresh talks on collaboration between the two sides.

Mr Worsham believed that co-operation would be "a win, win, win situation. It would be a win for Airbus Industrie, a win for McDonnell-Douglas and a win for the aviation industry.....We very much hope it will happen."

While not wanting to prejudge the outcome of talks, which he said would start soon, Mr Worsham said a successful outcome would help defuse the danger of a trade war between Europe and the US over government financial support for Airbus.

"I would think that if Airbus and McDonnell-Douglas were to work together on a family of aeroplanes, part-US, part-European, then we wouldn't have anything to fight about."

Proposed co-operation would be unlikely to fall foul of US anti-trust regulations - a point which has been worrying some European government officials.

"Whatever we do would be discussed and worked out with the anti-trust people," he added. Mr Worsham has been the chief participant from the US company during six years of sporadic talks with Airbus over co-operation.

The decision by ministers from West Germany, France, Britain and Spain to give Airbus a firm mandate for talks amounted to a rejuvenation of collaboration efforts, he went on.

The ministers have asked Airbus Industrie to press for an accord with McDonnell-Douglas by June.

Mr Worsham said discussions would probably centre on the possibilities of joint production of a 100-120 seater aircraft and an aircraft in the 400-seater range to compete with the Boeing 747.

There was no question of McDonnell-Douglas giving up its commitment to the MD-11 longer-haul airliner which is a direct competitor to the planned Airbus A-340. The MD-11 has suffered lately from some loss of airline support, but it still had 31 firm and 14 conditional orders.

However, McDonnell-Douglas would be willing to use spare production capabilities in southern California to help Airbus produce its A-320 short-haul airliner which will enter service shortly, as well as, possibly, its planned A-330 short-to-medium haul aircraft.

Airbus has been seeking a way of producing airliners in the US to lower costs and ease access to the US market. "We could find the facilities and the wherewithal," and any joint venture agreement would also include provision for joint engineering and production in European factories.

"The only way this will work would be if both sides give and take and come up with an agreement that would be better than if we went our own way."

Yeutter warns S Korea on sanctions

SOUTH Korea and other Asian nations will face export curbs if they do not end "unfair trading practices", warned Mr Clayton Yeutter, US Trade Representative, Reuter reports.

"Countries that have benefited from the relatively open markets of the US are in danger of killing the goose that lays their golden egg if they do not liberalise their trade policies."

US complaints against South Korea included closed markets, inadequate protection for intellectual property rights, and curbs on foreign banking and shipping.

Mr Yeutter's speech was prepared for delivery to the US-Korean Society in New York, and released by his office on Wednesday.

Asian nations, including Japan, Taiwan, Hong Kong and South Korea, have made impressive inroads into the open US market, and have rung up huge trade surpluses with the US, Mr Yeutter went on.

As US-South Korean trade grew, so did trade frictions, but the US would treat Korea as evenhandedly as its other major trading partners.

However, "we will be aggressive with respect to important restrictions, particularly when we perceive them to constitute unfair trade practices."

Soviet demands for low interest rates could prove problematic, says **Peter Montagnon**

UK exporters brace for credit rule change

UK EXPORTERS are bracing themselves for changes to international export credit rules this summer which could affect their prospects of signing up new project business in the Soviet Union.

From July, according to new rules agreed last year at the Organisation for Economic Co-operation and Development in Paris, export credit agencies will no longer be able to offer subsidised finance to richer countries like the Soviet Union. Instead all new credits will have to be at market related rates.

Because British interest rates are relatively high by international standards this could pose a general problem for UK exporters. But it is particularly difficult in the case of the Soviet Union, which has traditionally demanded low interest credit in the currency of the country from which it is buying.

When it signed a major trade finance protocol with the Export Credits Guarantee Department (ECGD) last year, the Soviet Union separately set a rate of 7.8 per cent on medium term credits in sterling. The difference between this rate and the permitted minimum export credit rate of 9.8 per cent was to be made up by exporters through a premium on the price of the deal they were offering.

Since then the official rate has risen to 10.4 per cent, and from July no subsidies at all will be permitted. So exporters are asking whether they will eventually have to dig even deeper into their own pockets to help finance their deals with the Soviets.

Many are assuming, however, that the immediate impact of the change will not be all that dramatic. The market reference rate for sterling calculated by the OECD, at which export credits will be priced from July, is currently 10.5 per cent - only fractionally higher than the present official minimum on export credits. It will also be possible for ECGD to offer a six month commitment on the subsidised rate right up till just before the rule change comes into effect.

Exporters hope this will delay the impact of the change, while the two sides explore options such as financing in other, lower interest currencies - it has already agreed to accept Ecu-denominated loans under the protocol. ECGD would like it also to consider floating rates.

"The Soviet Union has been becoming more flexible, and I think more realistic, in its appraisal of the real cost of financing in various different currencies," says Mr Tony Bruce, Marketing Director of John Brown Engineering which has already signed a $146m deal for a polypropylene plant at Budyennovsk under the protocol.

That deal was both denominated and financed in US currency, providing one sign of the more flexible approach.

Other exporters say that the new, decentralised foreign trade arrangements have left a degree of uncertainty in trading relationships with the Soviet Union. Some of the newly installed officials are by nature cautious and do not understand the potential cost of borrowing in low-interest appreciating currencies like D-Marks and Yen. Anunderlying theme has become the need for new projects to be self-financing in hard currency terms.

From the UK exporter's perspective there is another worry. This is that denominating a contract in a foreign currency when costs are in sterling involves an exchange risk. Exporters have to insure against adverse rate movements between the time they submit their bid and the time the contract is signed, and although ECGD offers such a facility it involves an additional cost. Only in Ecu deals so far has the Soviet Union been willing to take the exchange risk on to its own books.

UK exporters remain cautious about prospects for a sustained increase in exports to the Soviet Union partly because of the changes in Russian trade practice but also because of the end of subsidised export credits.

Deals signed up under the protocol in the first year of its existence amount to some £400m, including a £246m contract won by Simon Engineering for a plant to make factory automation equipment using GEC technology.

The unofficial aim of the protocol was to increase trade between the Soviet Union and Britain by some 40 per cent up to 1990, which requires signing of £400m of new export deals a year.

Bankers believe that some £400m-worth of large projects is now under serious consideration with a further £530m in smaller orders also potentially in the pipeline. Among the larger possible orders is a bid by John Brown for further polypropylene plant modernisation at Budyennovsk and Kazan.

Yet the mere existence of the protocol does not guarantee business going to the UK. Davy Corporation lost a major polyester plant order last year when its price was undercut to the tune of 30 per cent by Nissho Iwai of Japan. It is now bidding to build a different fibre plant at Kursk, but once again market rumours suggest it may be undercut.

Partly because of this, UK exporters remain cautious about prospects for a sustained increase in business. The caution has as much to do with intense international competition for Soviet orders and the changing nature of Russian trade practice as with the end of subsidised export credits.

Exporters are, however, concerned that the export credit changes could put Britain at a disadvantage, especially if, as many fear, UK interest rates are set to rise. Mr Chris Siegl, John Brown Project Finance Manager, puts it bluntly. If UK rates rise, he says, "other countries will be able to offer attractive rates. We won't."

DAT row solution 'in sight'

By David Thomas

THE Western music industry believes a solution is in sight to the long-running row about the introduction of digital audio tape, a revolutionary system developed by the Japanese.

The music industry fears that DAT will drain its copyright income because it allows almost perfect copying from a compact disc.

It has been lobbying the European Commission and the US Government for laws forcing manufacturers of DAT hardware and software to include an anti-copying device developed by CBS, the US-based music company now owned by Sony of Japan.

Japanese hardware manufacturers have held back from a general launch of DAT in Europe and the US while the row remained unresolved. Meanwhile, DAT's progress in Japan has been slower than expected partly because the western music companies have refused to make their repertoire available for pre-recorded DAT tapes.

The International Federation of Phonogram and Videogram Producers (IFPI), yesterday finally accepted that the CBS device could not provide a solution to the dispute.

However, the IFPI believes that bilateral talks between European and Japanese manufacturers, led by Sony and Philips of the Netherlands, are close to an agreement.

They have been exploring the possibility of recommending that a copy-limiting device should be placed in all DAT machines.

One possibility is a device developed by Philips, would allow a DAT copy to be made of a compact disc, but would prevent further copies being made of the copy.

Another possibility, backed by the Recording Industry Association of America, the US trade association, would prevent a specific compact disc being copied more than once by a DAT machine.

Swedes aim to tighten arms curbs

THE Swedish government plans to introduce tougher controls for weapons exports later this month in a proposal to parliament, Sara Webb reports.

The decision to exercise more control over weapons exports follows the investigation into whether a leading Swedish weapons manufacturer has been illegally exporting arms to countries considered out-of-bounds.

In addition, police have started investigations into whether another arms manufacturer also illegally exported weapons via Britain.

Under the existing law, Swedish companies cannot export weapons to countries which are at war or in areas of conflict, such as the Middle East.

The new law would also make it illegal for companies to market weapons in these areas without first informing the government.

It would introduce stricter regulations concerning the export of components for weapons, which in future would require end-user certificates to say where they were destined.

The government has proposed that any country found guilty of re-exporting Swedish weapons to countries considered out-of-bounds, would be put on a black-list and further exports prohibited.

The government has also proposed closing a loophole in the Swedish legislation which allows Swedish middlemen or agents to sell arms to prohibited countries.

To help improve the control processes, the government has decided to place more resources in the customs department by increasing the number of staff working at the armaments inspection office where applications for weapons exports are handled.

Last year, Swedish weapons exports almost doubled to SKr3.2bn (£296m).

EC anti-dumping probes jump by almost 50%

BY WILLIAM DAWKINS IN BRUSSELS

THE number of anti-dumping inquiries opened by the European Commission jumped from 24 to 34 between 1986 and 1987, according to estimates released by the Brussels authorities yesterday.

That compares with 36 new anti-dumping investigations in 1985 and 39 the previous year, according to the latest report on dumping. They include inquiries into Yugoslavian steel imports, South Korean microwave ovens, and East German polyester fibres.

Although the number of cases appears to be declining, the financial importance and political sensitivity of EC anti-dumping cases is increasing. The 1986 batch included an investigation into more than Ecu 1bn-worth of photocopier exports from 12 Japanese companies, the EC's biggest such inquiry.

Last year's new inquiries include three, into EC-assembled electronic typewriters, mechanical excavators and electronic weighing scales, which for the first time uses a new EC trade law extending anti-dumping duties from assembled imports to imported components.

The aim is to stop importers circumventing conventional anti-dumping duties by using assembly plants fed with a high proportion of dumped components.

Another outstanding feature is the growing prominence of Japanese, and South Korean companies as sources of EC trade rows. Japanese-made products accounted for eight - nearly a quarter - of last year's inquiries, while South Korea was at the source of another four.

Of the 68 anti-dumping investigations actually under way in 1986 - the latest year for which comprehensive figures are available - four ended with the imposition of definitive duties, while 25 concluded with price undertakings. The rest ended without any penalties being levied.

UK NEWS

Independents lead oil-search awards

BY STEVEN BUTLER

INDEPENDENT OIL companies led the second round of onshore oil-exploration licence awards announced yesterday by Mr Peter Morrison, Energy Minister.

The Energy Department awarded 60 exploration licences to 73 companies for acreage in England, Scotland and Wales, from 79 applications, based on proposals to explore the block.

The independents include Enterprise, Aran Energy, Lasmo and Sovereign Oil & Gas, and many lesser-known companies.

The minister said this round of awards was notable for the many smaller companies, some new to the UK onshore scene.

British Petroleum, Shell, Amoco and Fina were also awarded licences. British Gas and Conoco are participants in several licence groups.

Missing from the successful-applicants list were Carless, Capel & Leonard, which has been an active operator in UK onshore exploration, and Britoil.

Onshore UK drilling activity last year fell to 17 exploration and appraisal wells, compared with a record 26 in 1986, according to statistics from the oil services department of James Capel, stockbroker.

UK onshore oil output last year rose to 11,200 barrels a day, compared with 10,200 b/d the previous year and an average of 2.47m b/d offshore.

US-bound uranium stalled

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH NUCLEAR Fuels (BNFL), the state-owned processing and research company, yesterday abandoned attempts to ship four containers of enriched uranium to the US through the port of Liverpool.

The cargo had been stranded in Liverpool since last week, when dockers refused to handle it because of allegations that it contained uranium from Namibia, the former German colony administered by South Africa.

BNFL said the containers had been returned to its processing plant at Springfields, near Preston, while negotiations were held with the dockers.

The company said it would probably try to move the cargo through another port if the Liverpool dockers continued to refuse to handle it.

The most likely outlet would be Felixtowe, the fast-growing East Coast port owned by Peninsular and Oriental Steam Navigation.

State to charge companies for merger ajudications

BY DAVID CHURCHILL, CONSUMER INDUSTRIES CORRESPONDENT

THE GOVERNMENT yesterday announced surprise plans to charge companies involved in mergers and acquisitions for the costs incurred by the UK's merger control process.

Mr Francis Maude, minister for corporate and consumer affairs at the Department of Trade and Industry (DTI), said that the charges were likely to be between £5,000 and £15,000 per merger, although he admitted that they could be as high as £50,000 for larger mergers.

Details of the charge system have still to be finalised, although they are most likely to be levied on the acquiring company in a merger or takeover.

Legislation will be introduced as soon as possible to impose the charges as well as to bring about moves to simplify and speed up the merger control process.

The changes were announced yesterday in a DTI paper on merger control, most of which had been foreshadowed by Lord Young, Trade and Industry secretary, in the White Paper in January on improving enterprise in British business.

The proposals to charge companies involved in mergers were not, however, included in the White Paper.

The plans were last night strongly condemned by the Confederation of British Industry (CBI), the employers' organisation.

The CBI, which had not been consulted on the proposals, said that "this is an unjustified tax on enterprise."

It added: "We are astonished that the Government should decide to go down this path. Business is already paying through taxation for Government merger regulation in the public interest – why should they have to pay it twice?"

The merger control process costs the Government about £1m a year, spread between the Office of Fair Trading (OFT) and the Monopolies and Mergers Commission (MMC).

Up to 400 mergers a year are scrutinised by the OFT but only an average of about six a year are actually referred to the commission for a full investigation to determine the public interest.

Mr Maude justified the imposition of charges yesterday as being a small price to pay for the improvements in the merger control process which companies had been seeking.

CAA to publicise air misses

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL AVIATION Authority (CAA) is to publicise aircraft near-misses as a matter of routine as part of a package of measures aimed at providing re-assurance about air safety over Britain.

The proposals were described as "cosmetic" by the Institution of Professional Civil Servants, which represents most UK air traffic controllers.

They follow growing concern about safety spearheaded by complaints from air traffic controllers about inadequate equipment and staffing.

Well-publicised incidents involving near-misses have emanated from the air traffic controllers.

The CAA, which governs the National Air Traffic Services, has as a matter of policy provided neither confirmation nor denial.

Life insurers act to limit impact of AIDS claims

By Eric Short

ALL MEN seeking life assurance where the cover level is at least £75,000, will in future be required to complete a supplementary life style questionnaire, irrespective of whether they are married or single, under recommendations made by the Association of British Insurers (ABI) to member life companies.

If the cover level is at least £150,000 then under the recommendations, all men would be required to have an automatic blood test.

The proposals represent a major step by the ABI to deal with the problem of AIDS (Acquired Immune Deficiency Syndrome) in life assurance underwriting. The requirements are far more widespread than steps taken to date.

The main change is to require all men to provide information or undergo HIV blood tests.

Up to now these requirements have only applied to single men seeking life assurance and the limits were much higher - £250,000 for automatic blood tests.

Although the recommendations were agreed by a large majority at the last ABI Life Insurance Council meeting, many companies will study them "with caution" with regard to practicality.

TUC recommends checks on strike-free agreement unions

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS OF the Trades Union Congress are recommending new restrictions on unions signing strike-free, single-union deals with employers in a move which seems likely to promote fresh divisions within the union movement.

The recommendations are contained in a draft first report from the TUC's special review body, set up by the annual Trades Union Congress meeting last year to try to find a solution to the growing problem of such agreements and, more generally, of increasing non-unionism.

Some TUC-affiliated unions, especially the EETPU electricians – already under threat of suspension over a separate issue – and the AEU engineering workers, which have signed most of these deals, are likely to object bitterly to the recommendations at a meeting of the review body on Monday when they are to be discussed.

Among the report's main recommendations are:

- New powers for the regulation of relations between unions, especially concerning strike-free, single-union agreements
- Increased contacts with employers
- Promotion by the TUC of union services, including financial services and pensions
- Pilot schemes analyse labour markets to help recruitment in non-union companies
- More promotion of trade unionism, especially among women and young people.

The report acknowledges that "in a period of adversity, unions and the TUC need to concentrate on certain basic tasks such as representing existing members, organising new members, building stable and mutually productive relations with employers."

In its final version, the report is likely to be part of the TUC's report to this year's Congress.

Major balance sheet changes proposed

BY RALPH ATKINS

A RADICAL plan to restrict UK companies' ability to hide assets and liabilities from their balance sheets was published by the Accounting Standards Committee (ASC) yesterday.

The draft standards proposed by the ASC breaks fresh ground in company reporting practice. Instead of detailing specific guidelines for acceptable company reporting practice, it sets out a general concept which could be applied in a variety of situations.

However, the proposal is likely to cause controversy among finance directors, accountants and lawyers because of the extra responsibity it gives auditors in interpretation of standards.

The proposal is designed to halt the growing use of off-balance-sheet finance which is used to improve the appearance of companies' finances. The device allows companies to have responsibility for assets and liabilities, but not show them in accounts.

Last year a report by the Institute of Chartered Accountants in England and Wales said billions of pounds were invested in these schemes, which make it hard for investors to assess a company's true position.

The ASC, which represents six accountancy bodies in England, Wales, Scotland and Ireland, has invited comment on its proposal by July 31.

Standard Chartered libel action against FT settled

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A LIBEL action by Standard Chartered Bank over a Financial Times article that could have been read as implying that the bank orchestrated an unlawful share-support operation during its opposition to a takeover bid by Lloyds Bank was settled in the High Court yesterday.

Mr Andrew Caldecott, for Standard Chartered, told Mr Justice Hobhouse that the £1.3bn Lloyds bid failed in July 1986, because of lack of support from Standard Chartered's shareholders.

A Financial Times article in February 1987, headed "Standard Chartered lent to the buyers of its shares," stated that four key purchasers of Standard Chartered shares each had about £100m in loans from Standard Chartered at the time the takeover bid was being defended and that "additional loans to one particular supporter...were approved as part of a carefully planned and orchestrated share support operation . . ."

The article had gone on to refer to Companies Act prohibitions against companies giving financial assistance for the purchase of their own shares except in limited circumstances, but failed to mention that the lending of money in the ordinary course of business was exempted.

Mr Caldecott said that Standard Chartered had read the article as clearly alleging that it had given unlawful financial assistance to purchasers of its shares in breach of the Companies Act.

Standard Chartered had asked the Bank of England to carry out an investigation. The investigators had concluded that Standard Chartered had not provided illegal financial assistance, and that there had been no concert party and no breach of company or banking law.

Mr Caldecott said that the Financial Times had intended to suggest that there had been important questions to be answered as to whether there had been any breach of the Companies Act.

The newspaper accepted without reservation that those questions had now been conclusively decided in favour of Standard Chartered by the investigation.

Having been vindicated, and received a contribution from the Financial Times to its legal costs, Standard Chartered was content, Mr Caldecott said.

Miss Adrienne Page, for the Financial Times, said it regretted any damage and embarrassment caused to Standard Chartered by the article.

Although it had only intended to convey that there were important questions to be answered, it accepted that the article could imply that Standard Chartered had, in fact, been guilty of unlawful conduct.

Merger meets few hurdles at Westminster

BY PETER RIDDELL, POLITICAL EDITOR

THE BRITISH AEROSPACE/Rover Group talks have taken the political world as much by surprise as the City. Yet, while doubts have begun to surface, politicians are likely to be less difficult to convince than the City.

The Conservative response has moved from astonishment, via relief and recognition of possible advantages, to an attitude of "splendid if it works, but it is bound to be harder than it now seems."

That has been the reaction of ministers as they heard the news. Firstly, Lord Young, Trade and Industry Secretary, when he received a phone call in mid-February from Professor Roland Smith of BAe. Then the members of the Cabinet's economic committee late on Monday afternoon. And finally, the full Cabinet on Tuesday morning before Mrs Thatcher left for the Nato summit.

For the Government, it is partly a matter of getting rid of what has been a troublesome and expensive (£2.9bn) investment much earlier, and possibly more smoothly, than expected.

There is also the Union Jack aspect. Mrs Thatcher and many of her fellow-ministers and Tory MPs remain at heart mercantilists, supporting a British solution if one is available. BAe undoubtedly fits that bill.

One minister involved says his reaction changed from initial puzzlement to recognising these political advantages, as well as what the Government sees as industrial benefits from marrying the two companies along the lines of the much-trumpeted overseas motor/aerospace groups.

As Mr Alan Beith, the Liberal MP, pointed out in the Commons on Tuesday, BAe must have been watching the Saab advertisements on television.

All these factors, together with the initial surprise, explain why the political reaction so far has been subdued, at least by comparison with the furore two years ago over the Ford approach to Austin Rover and the General Motors bid for Land Rover and Rover's commercial vehicle operations.

Then, in the aftermath of the Westland affair, there were arguments in the Cabinet, with Mr Norman Fowler intervening to speak as president of the Birmingham Conservative Association, as well as threats of public revolt from the back-benches. Now, there has been only the briefest of discussions by ministers collectively, partly reflecting the current harmony of the Cabinet. Tory MPs from affected constituencies around the Longbridge plant and Land Rover's Solihull factory also report a favourable reaction.

Moreover, on the Labour side, the initial hostility about the industrial logic of the deal has turned into cautious scepticism, raising questions about future employment and the financing and investment of the volume cars side.

But if there appear to be few hurdles at Westminster, ministers recognise that a deal is far from assured. The Government is prepared to write off past debts, although precise figures have yet to be agreed.

The central question is whether other bidders come in. BAe has exclusive negotiating rights until the end of April, but Mr Kenneth Clarke, the Industry Minister, said that, "before any deal is finalised, if one emerges from the negotiations, we should have to consider any other offers that were forthcoming."

If a BAe takeover falls through, it will not be a return to the position as before. One view expressed in Whitehall is that these talks will wipe the slate clean on the events of two years ago. Hence, if a British solution fails, the way might be open for a possible approach from an overseas buyer for all or part of Rover Group as well as for an eventual flotation.

However, any overseas approach would run into much greater problems both within the Government and at Westminster than the current BAe proposals which are acceptable politically, although not necessarily in the City.

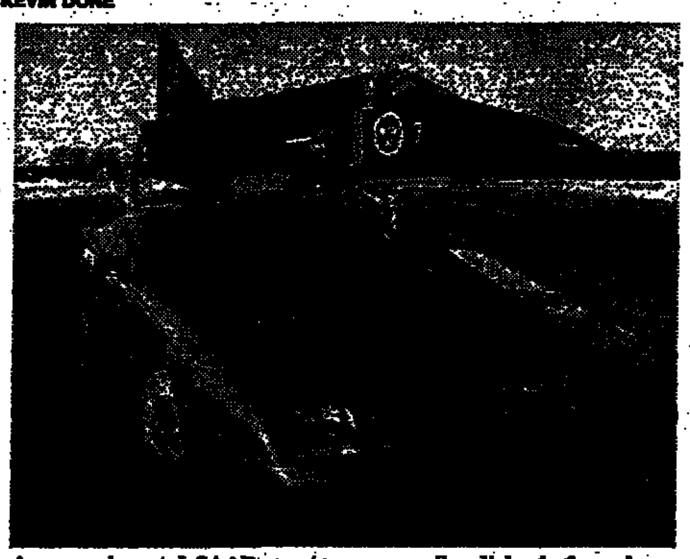
Aerospace and motor technology links 'take time'

BY CHRISTOPHER LORENZ AND KEVIN DONE

WHEN Daimler-Benz, the West German maker of Mercedes cars and trucks, moved into the aerospace and electronics industries via a set of acquisitions in 1985, the bosses of Saab-Scania could hardly contain their glee. "The others are scrambling to catch up with our 40 years of experience of cross-fertilisation in engineering," was the tenor of their reaction.

This week, Saab's response to the news of British Aerospace's proposed move in the reverse direction was a polite "no comment." But company executives were quite open about the great length of time it took Saab to create real "synergy" between its aerospace, car and truck divisions.

"This is functioning in our group but it will not work straightaway in another constellation that has just been thrown together," said Mr Ake Norrman, head of Saab's car division.



An experimental SAAB sports car on a Swedish air force base runway with one of the group's jet fighters

Of the many aerospace-motor combines which exist in Europe, Saab-Scania is the oldest and also the most similar to the proposed BAe-Rover Group. The company started in aerospace and then diversified into motor vehicles (though not through acquisition) at the end of the Second World War on the assumption that sales of military aircraft would rapidly decline.

The name Saab stands for Svenska Aeroplan Aktiebolaget. The company was founded in 1937 to lead the manufacture of Swedish fighter planes as Europe prepared for war.

The more recently forged combines were all created by motor manufacturers shifting in the reverse direction. Saab makes both military and civil aircraft, missiles and satellites as well as cars and trucks.

From the moment Saab first moved into cars in 1947 with the launch of the Saab 92, the influence of aerospace engineers was plainly evident in the cars' advanced aerodynamics.

Since then, a gradually increasing series of collaborative projects between the aerospace, cars and trucks divisions (the latter was added in 1969 through a merger with Scania) has created considerable cross-fertilisation in the design of driver's seating, instrumentation and other cockpit-like "ergonomic" features.

"Saab car technology is closely linked to our background in aerospace technology," said Mr Georg Karnsund, Saab-Scania chief executive.

Cross-fertilisation in electronics is also increasing, for example, in automatic fuel control and ignition systems. But Mr Kai Hammerich, a senior vice-president, said this week that the much-touted spillover of advanced aerospace materials into cars was "still quite far off" in any substantial sense because the price of composites was still too high.

Saab is experimenting not only with composite body panels but also with several types of parts, including for trucks.

Mr Norrman said the automotive engineers needed new materials in order to reduce the weight of cars and thus reduce fuel consumption. "These are used in aircraft and will be used in cars," he said.

Electronics is the area where Saab is looking most for gains in its automotive operations from its involvement in military technology. "Electronics will be the biggest revolution in the 1990s. There will be no bigger change in cars than the expansion of electronics. Here we see we have a big advantage."

The company's recent introduction of its ground-breaking direct ignition system is the biggest example yet of an automotive spin-off from its military technology research.

"We are convinced that 10 years from now, all cars will have this direct ignition. We believe we are the forerunners. There are some Japanese versions but they are not on the market yet." The new ignition system has no cables and no distributors and Saab claims that it triples the life of a sparking plug.

Further areas of cross-fertilisation between aerospace and automotive technologies are in the making "which we know will be extremely important in the 1990s," said Mr Hammerich. Emission controls and other devices would initially affect upmarket car-makers but would later reach the volume manufacturers as well.

Through a set of joint subsidiaries which serve the engineering needs of the various divisions, the company has developed a wide range of aerospace components and systems which are likely – eventually – to find automotive uses.

One example is an advanced sensor technology for the control of guided missiles, which Mr Hammerich said might "one day" be used for such purposes as the conveying of traffic control information to cars and trucks.

Recalling Saab's experience with the 1969 Scania takeover, company executives say it took more than a decade to get open collaboration between engineers from the previously separate companies.

Despite all the advantages of engineering cross-fertilisation, Saab still had to look for outside co-operation when it sought to launch a new car model development programme in the 1970s.

Suppliers puzzled by engineering reasoning

By Nick Garnett

MACHINE TOOL and production system suppliers to Rover and British Aerospace seem to be bemused by the engineering arguments used by BAe to justify the proposed purchase of the car group.

Senior managers from a small collection of British, US and West German machine tool companies yesterday met Mr Michael Heseltine, the former Tory Cabinet minister, to discuss the prospects of lowering trade barriers in the EC in 1992.

The subject of the proposed takeover arose after the meeting. The managers did not wish to make any comment about the overall industrial or political logic in a takeover of Rover by BAe.

They were scathing, however, on some of the arguments put forward by BAe on co-operation over production engineering, new materials and aerodynamic design.

They did not understand BAe's suggestion that it could help Rover with aerodynamics. This, they said, appeared to mean that BAe believed it could provide assistance on aerodynamics to Honda which is the dominant partner in Rover's model development programme.

Honda, they said, was already one of the leading car body design companies, producing cars with some of the lowest drag coefficient figures in the car industry.

They were also sceptical about the idea of BAe helping Rover with new materials. While this might provide some useful grounds for co-operation, the use of such materials in cars, particularly of the type built by Rover, was so small as to be negligible.

New materials had growth prospects in the car industry, but they believed it would remain a very small element for many years to come in comparison with dedicated vehicle-based electronics.

The idea that BAe would benefit from Rover's production engineers has also gone down poorly.

The machine tool makers say Rover is probably short of production engineering skills.

Acquisition aims to realise full potential of Royal Ordnance

BY LYNTON McLAIN

THE PROPOSED sale of Rover Group to British Aerospace raises the question of how BAe has handled its acquisition of another state-owned company, Royal Ordnance.

BAe bought the arms and munitions company for £190m last April after the Government cancelled at the last minute its planned flotation of Royal Ordnance on the stock exchange.

This was after Mr George Younger, Defence Secretary, said it had not been possible to transform Royal Ordnance into the sort of commercial company that could be successfully floated. When BAe bought the company less than a year later, it found RO still wanting in many respects.

The structure of its organisation "looked like Clapham Junction with no clear lines of responsibility," according to Sir Raymond Lygo, managing director of BAe and chairman of Royal Ordnance.

The aerospace company immediately appointed its own senior executives to lead the company more fully into the commercial world.

Sir Raymond says: "Royal Ordnance was an organisation looking for a home. It was a very similar business to that of British Aerospace, but was heavily bureaucratised and run by former civil servants."

In contrast, he says: "We are happy with the way Rover is structured and while there will be some exchanges of personnel and some saving of jobs to avoid duplication of central functions, we will not need to put in a new team at Rover."

The aerospace company recognised the synergy between BAe and RO and the wealth of "very loyal, serious people in Royal Ordnance" who, Sir Raymond says, had become "confused and dispirited over the confusion over privatisation." They were pleased to be brought into an organisation that would give leadership, he says.

BAe's first move was to appoint five of its own senior managers to the top jobs at Royal Ordnance. Five out of the eight main board members of RO are BAe appointees.

The top man at RO, after Sir Raymond as chairman, is Dr Maurice Dixson, the former commercial director of BAe's military aircraft division, as the new chief executive.

His experience included selling Tornado fighters to Saudi Arabia in the UK's biggest export contract, worth more than £5bn. This is just the sort of export market BAe believed RO should be aiming.

The Saudi Tornado contract exemplified the scale and complexity of defence exports and the need for close inter-government contacts, an area in which BAe has vast experience. RO, in contrast, was formerly virtually the in-house supplier of arms and munitions to the Ministry of Defence, which owned the company. It had only a limited export record.

The BAe management undid the organisation structure put in place by the RO management in the time between the cancellation of flotation and the purchase by BAe. In place of two divisions covering naval, air and engineering, and land weapons, BAe created four autonomous profit centres for ammunition, guns and vehicles, rocket motors and control systems and fuzes.

Under the civil service regime, each of the 13 Ordnance factories was treated as a profit centre. But, when BAe bought it, RO was suffering a net cash outflow forecast at between £50m and £100m in 1987, Sir Raymond says. "It now has a positive cash balance and made substantial profits last year.

"Royal Ordnance has the potential to be the jewel in the crown of British Aerospace," he says.

Under BAe management, RO last year recruited Dr Peter Summerfield, a mass production specialist from Rover Group, to mastermind the building of highly automated production lines at its Nottingham factory.

RO is to spend £12m on these lines to mass produce the army's new short SA80 rifle. Sir Raymond says the new production lines at Nottingham will be the most advanced small arms lines in the world.

Of BAe's general approach to management, Sir Raymond says: "We want as much devolution as possible and for people to feel and be responsible. This releases enormous energies that might previously have been stifled."

Oxford Review questions long-term recovery claim

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S economic performance has improved significantly over the past few years but there remain question marks over the Government's claim that it has achieved a durable reversal of the economy's long-term relative decline.

A series of studies of Britain's economic history over the past 100 years, published yesterday in the Oxford Review of Economic Policy, identify a number of areas where the thrust of economic policy since 1979 should bring long-term gains.

The studies by several leading academic economists suggest, however, that many of the key problems – inadequate research and development, poor training, insufficient competition – remain unresolved.

They conclude that the record of the Thatcher Government should be judged not simply against that of the 1970s, when the economy suffered a number of external shocks, but over a much longer time-scale.

And while conventional wisdom treats the last 100 years as a period of almost continuous economic decline, the record in practice is not "uniquely or uniformly dreadful."

History also provides ample reason to discard the notion often favoured by politicians that there is any "simple panacea" for reversing relative decline.

The late Victorian and Edwardian economies, for example, were lightly taxed but were outperformed by other countries.

The review argues that the Government should be given credit for placing the emphasis of its strategy on improving the supply side of the economy.

The weaknesses of policy in most of the post-war period appear to have been concentrated in the failure to tackle supply side problems rather than a lack of adequate demand.

Among the supply side reforms since 1979 which are likely to have improved the economy's potential are reform of trade union law, privatisation, moves towards more selective industrial support policies and initiatives to strengthen vocational training.

Such policies have given management the opportunity to control restrictive practices, to obtain faster productivity growth and to assert control over the productive process.

That has contributed to a large shift in Britain's standing among industrial countries in terms of real growth rates and productivity. Growth rates in real output per worker over the past few years have been close to the top of the international league.

The studies emphasise, however, that it is too early to judge whether that trend will be durable, and argue that the Government has missed important opportunities.

In privatisation policy, for example, the opportunity to enhance efficiency through increased competition has been lost; in education, the political power struggle may endanger the effective provision of technical and vocational training.

The authors identify the failure of Britain to keep up with its competitors in areas like training and research as one of the constant threads in its relative decline.

They add that the Government's focus on market-related solutions to economic problems has missed the evidence that Britain's weaknesses in these areas are in large part due to "market failures."

What is needed is more successful action and initiatives.

The review argues that: "The Thatcher Government's policies have, at best, dealt with only some of the supply side problems which the Conservatives inherited."

Oxford Review of Economic Policy, vol.4, no.1, OUP, Walton Street, Oxford OX2 6DP.

Water authority to reward fast payers

By Richard Tomkins, Midlands Correspondent

SEVERN-TRENT, THE second-biggest water authority in England and Wales, is to reward prompt bill-payers with a chance to win a holiday in Thailand or a car. The scheme aims to cut costs incurred when customers wait for final demands before paying.

Starting with spring bills all its customers who pay bills within seven days of the due date qualify to enter a contest for a Peugeot 309 SRI, supplied by the maker for publicity.

Autumn bills will contain a chance to qualify for a holiday for two in Thailand, supplied by KLM, the Dutch airline, and Hilton International Hotels.

Severn-Trent, among water authorities preparing for privatisation next year, believes it is the first utility to enter a commercial deal of this kind to tackle late-payment.

It serves 2.4m households and companies in and around the Midlands. About 500,000 had to be reminded to pay in the first half of last year and about 800,000 in the second.

Late payment costs it about £250,000 a week in lost interest and the expense of reminders.

Eli Lilly seeking to bar 350 late claims by Opren 'victims'

BY PETER MARSH

ELI LILLY, the US maker of the banned drug Opren, is to seek a judicial ruling to prevent 350 more people from proceeding with legal action against it. The company has been the subject of a court battle over alleged side-effects involving 1,300 UK claimants.

The cases of the 350 are due to be the subject of a hearing in chambers before Mr Justice Hirst in the High Court on March 28.

These people have taken out writs against Lilly in the period after a deadline of January 1987 imposed by the court. The purpose of this deadline was to keep separate the "late" cases and those of the 1,300 people who brought their actions before that date.

All but about 30 of the 1,300, who claimed that Opren gave them a range of side-effects mainly involving undue reactions of the skin to sunlight, have accepted a settlement announced in December in which Lilly allocated about £2.2m.

Opren campaigners have argued that the compensation was inadequate. They say it was accepted in most cases only because of the difficulty of fighting a prolonged court action.

Mr Richard Bailey, managing director of Lilly's UK subsidiary, said yesterday that he was convinced his company had not behaved improperly over Opren.

Lilly had made the settlement offer in which it did not admit negligence in spite of there being no evidence in many of the cases to link Opren firmly with the medical problems.

Lilly yesterday sent its 2,800 British employees a four-page letter setting out its side to the Opren dispute. It said that, in view of the lack of medical evidence, press reports comparing Opren with drug disasters like thalidomide were "drastically misleading".

Mr Bailey said the company's lawyers would argue in court later this month that the cases of the 350 late claimants should not be allowed to proceed further.

This was on the grounds that they had brought their actions too late to be dealt with under UK product-liability law involving injury. Under these provisions, claimants have to start actions within four years of the event believed to have caused the problem.

Miss Kathleen Grasham, chairman of the Opren Action Group, said her group would fight any attempt by Lilly to stop the cases of the late claimants.

No salvage for Thames pleasure boat rescue

THE GORING
House of Lords
(Lord Bridge of Harwich,
Lord Fraser of Tullybelton,
Lord Brandon of Oakbrook,
Lord Ackner and
Lord Oliver of Aylmerton):
February 25 1988

SALVAGE CANNOT be claimed against a vessel rescued in non-tidal waters.

The House of Lords so held when dismissing an appeal by Mr Arthur Mullins and others on behalf of members of the Island Bohemian Club from a Court of Appeal decision (*[1987]1 FTLR 467*), that their salvage claim against owners of the Goring should be struck out.

LORD BRANDON said that shortly before midnight on September 14 1984, the Goring, a passenger vessel, allegedly broke free from her mooring in the Thames, up river from Reading Bridge.

Members or employees of the Bohemian Club, situated on De Montford Island, managed to put one of their number on board and haul the vessel to a vacant mooring.

The parties agreed that the Thames above Reading Bridge was not tidal, and that had the alleged services been rendered further down where it was tidal, the club members would have had a cause of action for salvage.

On July 22 1985, the club members began an action *in rem* against the Goring in the Admiralty Division. Her owners applied to strike out the writ on the ground that because the services had been rendered in non-tidal waters there was no cause of action.

Mr Justice Sheen dismissed the application to strike out. The Court of Appeal allowed an appeal by the owners. The club members now appealed.

The cause of action for salvage was ancient. Before 1840 Admiralty jurisdiction over salvage claims was restricted to claims arising on the high seas. Section 6 of the Admiralty Court Act 1840 abolished that restriction and extended the jurisdiction to claims for services rendered "within the body of a county".

The club members contended that "within the body of a county" was wide enough to include non-tidal inland waters navigable by ships, and that section 6 had extended the scope of the cause of action.

The contention was not accepted. First, it was unlikely that the legislature would have given jurisdiction which the court had never previously asserted. Second, except for cases of closed docks, there was no authority to support the contention.

Section 458 in Part VIII of the Merchant Shipping Act 1854, provided that salvage was payable when services were rendered "on the shore of any sea or tidal water" within UK limits.

That prescribed, for the first time, the places in which services must have been rendered in order to qualify for salvage. If the legislature had intended that services rendered in non-tidal inland waters should also qualify, it would surely have expressly so provided.

The 1854 Act was repealed and replaced by the Merchant Shipping Act 1894. Part IX, entitled "wreck and salvage", replaced so much of Part VIII of the 1854 Act as dealt with those matters.

Section 546 of the 1894 Act, still in force, provided that salvage was payable where services were rendered "at any place on or near the coasts of the United Kingdom or any tidal water . . . "

Section 22 of the Supreme Court of Judicature (Consolidation) Act 1925 provided that the High Court had jurisdiction to hear claims for salvage services "whether rendered on the high seas or within the body of a county".

Section 1 of the Administration of Justice Act 1956 provided that the Admiralty Court had jurisdiction to hear salvage claims, and subsection (4) provided that section 1 applied "(b) in relation to all claims, wheresoever arising".

The club members contended that if section 6 of the 1840 Act had not extended the cause of action, section 1(4)(b) of the 1956 Act had done so, by using "in relation to all claims wheresoever arising".

The contention gave rise to various considerations: first, the purpose of sections 1 to 3 of the 1956 Act was to give effect to the Brussels International Convention Relating to the Arrest of Sea-going Ships, 1952.

The Convention was concerned with types of claims only. It was not concerned with the substantive law of different states applicable to such types of claims. That being so, one would not expect the 1956 Act to alter the substantive law relating to any type of claim.

Second, a provision that the Admiralty jurisdiction included salvage claims "wheresoever arising" was not on the face of it intended to alter the substantive law. For that, clearer language would be required. "Wheresoever arising" when applied to a salvage claim, meant "wheresoever arising having regard to the localities in which, under the substantive law of salvage, such claim is capable of arising".

Third, Admiralty jurisdiction over salvage claims in Scotland was dealt with separately in Part V of the 1956 Act. The jurisdiction was restated to give effect to the Convention, but contained no provision that it should cover claims "wheresoever arising". Since there was in general no difference in substantive law between England and Scotland, it would be surprising if the expression applied to salvage claims in England but not Scotland.

Fourth, it might be expected that if "wheresoever arising" was intended to have the effect contended for by the club members, section 546 of the 1894 Act, which would no longer have served any useful purpose, would have been repealed. The 1956 Act did not repeal that section.

Having regard to those four considerations, the conclusion was that the legislature, by using "wheresoever arising" in section 1(4)(b) of the 1956 Act, did not intend to alter the substantive law of salvage.

Section 20 of the Supreme Court Act 1981 restated the Admiralty jurisdiction of the English High Court in terms similar to those used in section 1 of the 1956 Act. It followed that if section 1 of the 1956 Act did not alter the substantive law of salvage, the 1981 Act did not do so either.

The view that neither section 6 of the 1840 Act nor section 1 of the 1956 Act created a cause of action for salvage in non-tidal waters was strongly reinforced by the way in which the legislature had from time to time stipulated in what places services must be rendered to qualify as salvage.

The requirement for a ship by section 485 of the 1854 Act was "the shore of any sea or tidal water". By section 546 of the 1894 Act it was "on or near the coasts", or "any tidal water". The requirement for aircraft by the Civil Aviation Acts of 1949 and 1982 was "on or over the sea or any tidal water, or on or over the shores of the sea or any tidal water."

Repeated stipulations of that kind were inconsistent with there having been a cause of action for salvage services rendered in non-tidal waters.

If statutory provisions had the effect of limiting the scope of the cause of action to services rendered at sea or in tidal waters, it was not open to their Lordships to extend that scope. Any such extension must be by the legislature.

Their Lordships agreed.

For the club members: Anthony Clarke QC and Belinda Bucknall (Ingledew Brown Bennison & Garrett)

For the owners of the Goring: Geoffrey Brice QC and Elizabeth Blackburn (Shaw & Croft)

Rachel Davies
Barrister

Clive Cookson reports on a new computer system designed to help four London hospitals deal with 780,000 patients more efficiently

A central cure for a management headache

FOUR HOSPITALS in West London have developed a computerised patient management system which they say is the most *advanced in the National Health* Service.

The Integrated Computerised Hospital Information System (ICHIS) handles all patient records in the Hammersmith, Queen Charlotte's and Acton hospitals and Chelsea Hospital for Women.

Although the NHS has been developing computers to manage patient records since the early 1960s, ICHIS is the first fully integrated system. There is a single central record of each patient, which staff can call up on any of the 250 terminals located throughout the four hospitals.

Because information about a *patient is recorded only once,* ICHIS "minimises duplication and potential for errors, and improves the speed and efficiency of patient care," according to Jeff Faulkner, Finance and Information Director of the Hammersmith and Queen Charlotte's Spe*cial Health Authority, which* runs the hospitals.

All 56 wards, 281 outpatient clinics and two main laboratories – biochemistry and haematology – are fully integrated into the system; and 780,000 patients are registered on the computer data*base. ICHIS has been introduced* over the last 18 months and will be complete by the end of this year.

Lesley Dobree, Bed Manager at Hammersmith Hospital, says *ICHIS is already enabling her to* make better use of the wards. "Before the computer, our knowledge of bed availability depended on ringing round every ward in the hospital twice a day," she says. "Now we have a computerised bed list for every ward *and we know as soon as a bed* becomes available."

Dobree says the system has greatly improved the management of Hammersmith's waiting lists, which was kept on rows of cards in boxes. Patients sometimes had to wait longer than necessary to see a consultant and there was no back-up if an individual's card was lost. Now the computer ensures that everyone is given the first available appointment.

What distinguishes ICHIS from other patient management computers is the way the hospital laboratories are integrated into the system. As a leading research *centre and the home of the Royal* Postgraduate Medical School, the Hammersmith carries out an unusually large number of laboratory tests, at least 150,000 a month. All of these are recorded on the system as soon as the results come in.

ICHIS and its associated wideband telecommunications network have been designed to allow for expansion. For example, the system could send images such as digital X-rays and ultra-sound *scans around the hospitals.*

So far ICHIS has cost £2m – remarkably little for a system of such complexity and size. The software was developed by Real Time Solutions, a small company in Milton Keynes, working closely with the health authority's staff. The main hardware is American: two 3280 processors from Concurrent Computer (formerly Perkin-Elmer *Data* Systems) linked to Lear Siegler ADM12+ terminals.

Software development was speeded up by the use of "fourth generation" programming techniques. These enable the programmers to write down what *they are trying to achieve in rela*tively simple terms. They can write prototype systems quickly, without getting involved in a complicated computer coding language like Fortran. Real Time Solutions produced a series of ICHIS prototypes, which were *adapted to take account of com*ments by doctors, nurses and administrators at the four hospitals.

Only five man-years of effort were required to write the ICHIS software. An outside consultant, appointed by the Department of Health and Social Security (DHSS) to oversee the project, David Burdett of Spicer and Oppenheim, concluded that the system would have taken at least three times as long to develop with conventional means of program writing.

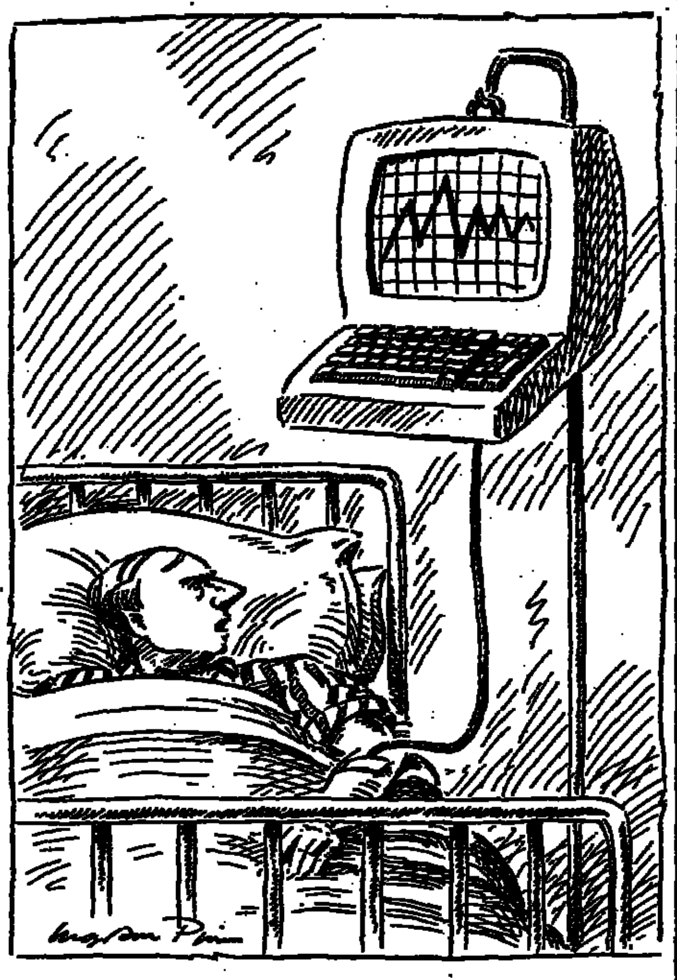
The system includes security features to prevent unauthorised people getting hold of confidential information about patients. For example, no one can sign on at a terminal without entering a secret personal password, and it automatically switches off if left unused for longer than 15 seconds.

"On any hospital system a balance has to be struck between patient confidentiality and management needs," says Dr Andy Rees, a consultant physician at Hammersmith. Although ICHIS has been made as secure as possible, Mr *Faulkner concedes that* anyone who understands computers and is determined to break into the system could do so, "though I personally doubt whether anyone would want to."

In addition to its main function of administering all patient records, ICHIS will *provide the* health authority managers with valuable new information for planning purposes – for example, how financial resources are divided between different medical activities.

Hammersmith and Queen *Charlotte's use the concept of the* "diagnostic related group" (DRG), which originated in the US. The *system divides patients into* about 200 DRGs. The most common group at Hammersmith is *kidney failure; other examples* are diseases of the red blood cells and coronary artery bypass grafting.

ICHIS can reveal the costs of *treating patients in any DRG, or* in any hospital department, or by any consultant. The DHSS hopes this information will make doctors work more efficiently, so saving money. Indeed the depart*ment is likely to* support the introduction of systems like ICHIS in other hospitals because they encourage "clinical budgeting" – making consultants directly responsible for the money they spend.



Bedside nursing at the touch of a key

THE GROWING shortage of qualified nurses has prompted Hammersmith Hospital in London to develop computers to take over routine chores.

The work is being done in the intensive care unit (ICU) on patients recovering from major heart surgery. So serious is the unit's nursing shortage that urgent operations are frequently cancelled.

Two related projects are under way: testing a machine which administers drugs to patients automatically; and developing a computer system to record information provided by patients' monitors, instead of nurses having to write it down.

Hammersmith was one of four international hospitals chosen by Ivac, a California-based subsidiary of the Eli Lilley pharmaceutical group, to test a prototype computerised infusion pump. This is designed to take over one of the most time-consuming tasks of an ICU nurse – controlling the patient's blood pressure, which is liable to rise dangerously after heart surgery.

The Ivac Titrator monitors blood pressure and administers nitroprusside, a drug that keeps down the pressure, through a drip into the patient's bloodstream. The machine incorporates a computer which works out the patient's response to nitroprusside (this can vary tenfold between individuals).

Professor Ken Taylor, Hammersmith's chief of cardiac surgery, regards last year's four-month trial of the prototype Titrator as a great success. Although medical and nursing staff were somewhat suspicious of the machine at first, the results showed that it consistently controlled blood pressure better than a nurse operating a drip manually. "By the end of the trial, if the nurses had a difficult patient they would prefer him to be on the machine," Taylor says.

He looks forward to installing three Titrators when Ivac starts commercial production later this year. The company's new products manager, Fred Schlador, says the machine is on trial at eight medical centres in the US and Canada to measure how much nursing time it can save.

The second leg of the Hammersmith hospital's drive to transfer some of the nursing routine to machines is the development of a computer system that will record information about a patient's condition. Esme Roads, a nursing sister who is working on the ICU project, says nurses now have to write down between 15 and 25 measurements every 15 minutes – a boring and repetitive process which inevitably generates some errors towards the end of a long shift.

Under the new system, some of the data – for example pulse and blood pressure measurements – will be fed directly into a bedside microcomputer from electronic monitors attached to the patient. The nurse will enter the remaining information on a specially designed keyboard. The printout comes in the form of a spreadsheet resembling a traditional manual chart.

Taylor says the Hammersmith is carrying out the project (with financial assistance from the DHSS) because no commercially available recording system could do the job satisfactorily. John Bryden, of the medical physics department, hopes to have a prototype running by the summer.

The next step would be to link the bedside recording microcomputers to the Ivac Titrators, to produce a system that will both monitor the patients and give them drugs automatically. According to Taylor, the ICU could then run on two-thirds of the present number of nurses, and give the patients better treatment.

Esme Roads says the nurses do not see computerisation as a threat to their jobs, especially as the ICU is now a third down on its official staffing complement. "The computers will only do the repetitive and boring work. They'll leave us more time to do the parts of the job where nursing training and skills are really needed."

WORTH WATCHING

Edited by Geoffrey Charlish

Wheel clamping co-ordinated

WHEEL CLAMPING and vehicle removals controlled by the London Metropolitan Police are about to be co-ordinated through a computer and communications network, installed and operated by Datacom Systems, part of the Lockheed Corporation.

Hunter portable computer terminals, made by Husky Computers of Coventry, will be used by about 90 crews on the contractors' clamping and towing trucks. They will send information about clamping and removals to a centre at Bermondsey, where it will be recorded by an Artemis 8000 computer. Messages will go over the Racal Vodafone cellular radio data network.

Data will be exchanged, over land lines, between payment centres, car pounds and police supervisors. The computer will record payments received and authorise the release of clamped or impounded cars by radio instructions to the crews. *This should* speed up both the finding of cars by their owners and their release.

Breaking the criminal code

INFRA-RED hand-held devices *for unlocking car doors are not* criminal-proof, according to Siemens, the West German electronics group, because the infra-red coded signal can be "read".

The company is offering a set of electronic components to the car industry in which the code is changed after each unlocking action. Transmitting components can be built into the plastic part of the car key with a lithium battery lasting for several service intervals of the car. Receiving components are built into the car's central locking mechanism.

An upbeat way to order

FROM THIS summer, record shops in the UK will be able to take advantage of a system called Musicnet, instead of depending on paper catalogues. This will enable them to order tapes, discs, videotapes and compact discs using a screen and keyboard.

Musicnet is the result of an agreement between the Begotel Foundation (which runs a similar network in Holland) and several UK companies. Micro Scope, part of the General Electric Company, will provide communications consultancy and networking expertise, while Thorn EMI Business Systems will be the sole supplier of terminals and personal computers to retailers. The service will be marketed to retailers by EPS Musicnet, a new company.

Musicnet will use interactive videotex (viewdata), in which users communicate with a databank over telephone lines using a special television terminal.

Keying into a personal library

APPLE COMPUTER this week became the first of the leading personal computer manufacturers to endorse a new form of opti*cal data storage, which intro*duces a compact disk read-only memory (CD-ROM) drive, writes Louise Kehoe in Seattle.

The CD-ROM, which can be used with either an Apple Macintosh or the Apple II personal computer, greatly expands the *data retrieval capabilities of per*sonal computers. It can store the resources of a small library, including text, graphics and sounds. A single CD-ROM disk can hold more than 550 megabytes of data, the equivalent of 270,000 pages of text.

CD-ROMs use the same optical digital recording technology as audio compact disks.

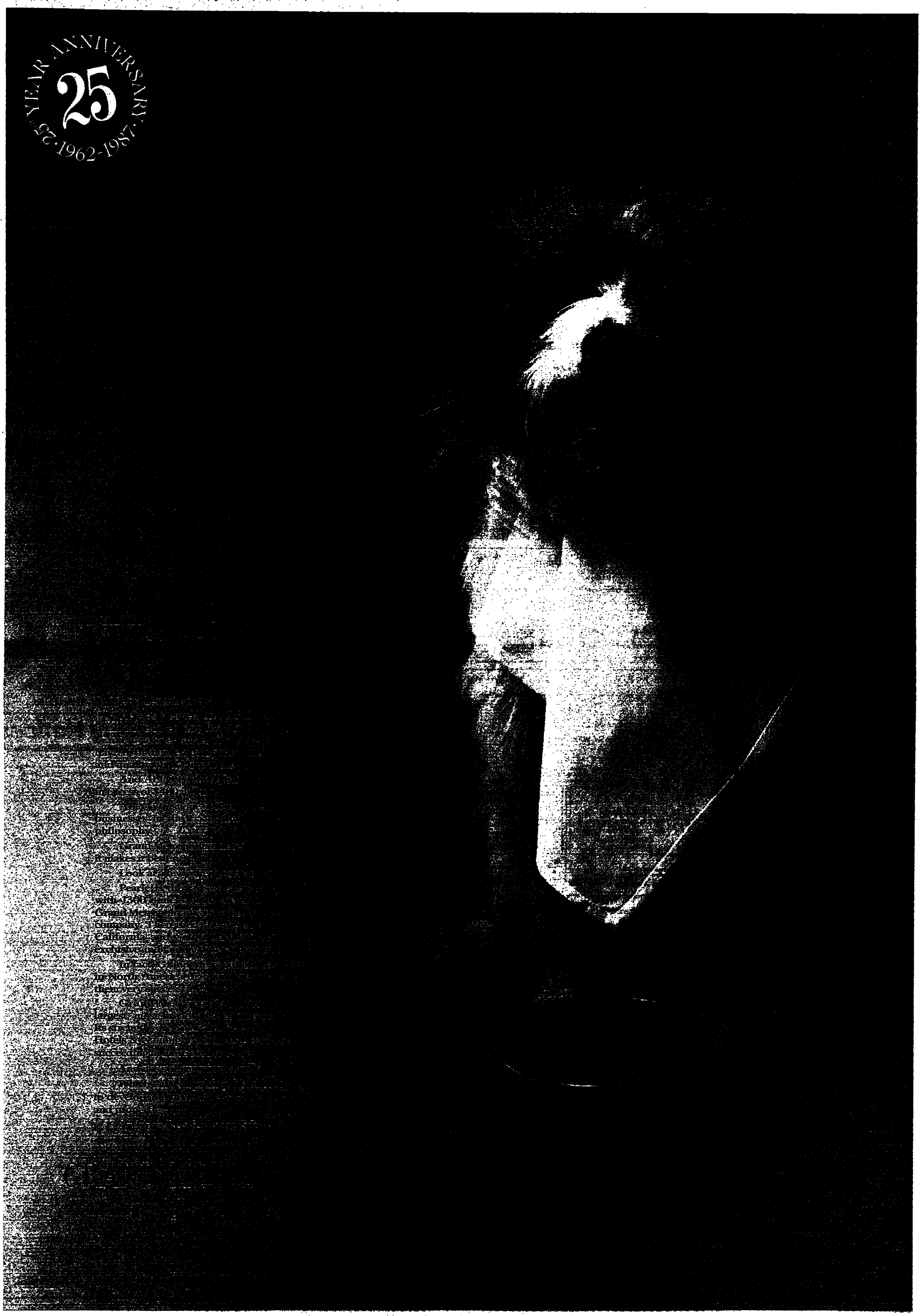
With the launch of its CD-ROM drive, priced at $1,200, Apple aims to boost the fledgeling CD-ROM industry by encouraging third parties to publish CD-ROM disks. *To date, about 200 CD-ROM* titles have been published in the US. About 40,000 CD-ROM drives are in use; they work with IBM-compatible personal computers.

Most CD-ROM applications are computerised versions of product manuals, catalogues and library indices. Industry experts say, however, that CD-ROM has great potential in both education and business. Microsoft, the biggest publisher of personal computer software, this week launched two CD-ROM titles: Small Business Consultant, a collection of publi*cations on how to start and run a* small business ($149) and the Microsoft Stat Pack, containing US Government statistics ($125).

CONTACTS: Datacom Systems: London, 252 1119. Siemens: UK office, 0932 752323. EPS Musicnet: UK, 0524 36363. Apple Computer: UK office, 0442 60244.

H WATCH
rey Cranan

Keying into a
personal librar



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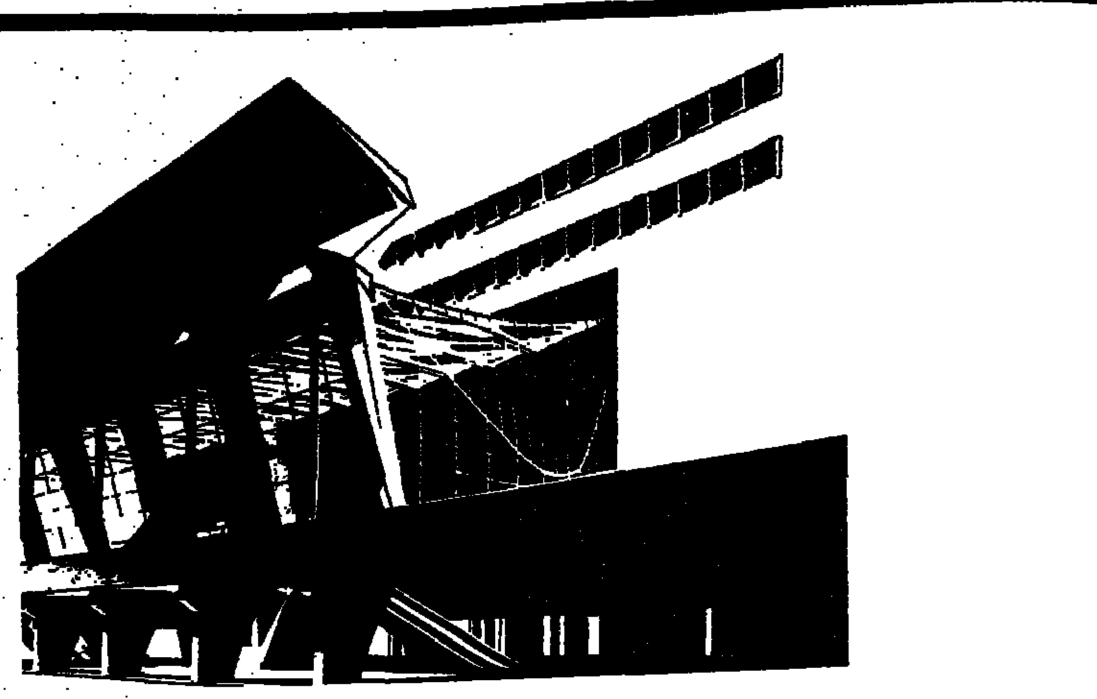

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INCO LIMITED

Notice of Record Date

NOTICE IS HEREBY GIVEN THAT March 14, 1988 has been fixed as the record date for the determination of the holders of Common Shares, 7.85% Preferred Shares Series B and the 10% Cumulative Redeemable Commodity-Indexed Preferred Shares Series C, who are entitled to notice of the Annual Meeting of Shareholders of INCO LIMITED to be held on April 20, 1988.
DATED March 4, 1988

S.M. Hand, Secretary

INCO

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comprising
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Registered in Luxembourg RC B 21433

NOTICE

Notice is hereby given to holders of shares in Global Alpha Strategy Fund Sicav that a meeting of all shareholders shall be held at the registered office of the company at 16, Boulevard Royal, Luxembourg, commencing at 11 a.m. on Monday 21st of March, 1988 to consider and vote upon the following agenda:

1. Directors' and Auditor's reports
2. Approval of the Balance Sheet
3. Discharge of Directors of their duties
4. Discharge to the Auditor
5. Payment of dividend (separate consideration will be given by shareholders in each sub-fund to proposals to pay dividends in respect of each sub-fund.)

Holders of bearer shares who wish to attend at the meeting should deposit their shares at the registered office of the company at least one business day before the meeting. Copies of the Annual Report, including financial statements, will be available at the registered office 15 days before the date of the meeting.

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For the six months, March 3, 1988 to September 6, 1988, the rate of interest has been fixed at 7 % P.A.

The interest due on September 7, 1988 against coupon nr 7 will be $ US 365,56 and has been computed on the actual number of days elapsed (188) divided by 360.

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DIVIDEND ANNOUNCEMENT

The International Bond Index Fund will pay a dividend of $US. 0.60 per share on March 7, 1988 to shareholders registered at close of business on February 25, 1988.
Shares will be traded ex-dividend after February 25, 1988.

The Board of Directors

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Company Notices

NEW KLEINFONTEIN PROPERTIES LIMITED
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INTERIM REPORT

FINANCIAL

The unaudited results of the Group's operations for the six months ended 31 December, 1987 are as follows:—

INCOME STATEMENTS

	Six months ended 31 December 1987 R000's	Six months ended 31 December 1986 R000's	12 months ended 30 June 1987 R000's
Turnover	820	1 823	2 627
Operating income	198	1 272	1 547
Dividends Received	335	203	400
	533	1 475	1 947
Taxation	69	675	787
Net income attributable to shareholders	464	800	1 160
Extraordinary item	Nil	Nil	4 665
Earnings per share excluding extraordinary item (cents)	23.0	39.8	57.7
Dividends per share (cents)	10.0	10.0	24.0
Dividend cover (times)	2.3	3.9	2.4

COMMENT

At the time of disposal of the main sands dump and adjoining vlei area, the negative impact that the disposition would have on short term earnings was pointed out. The interim results confirm this expectation.

Prospects for future earnings are, however, favourable. Generally, the property market has recovered and the company is well poised to take advantage of improved trading conditions.

Surplus funds have, in accordance with the strategy of diversification set out in the last annual report, been committed to two office developments in prime locations.

The rate of sale of industrial stands has improved and this trend is expected to continue for sales of both industrial and other land holdings in the short term.

In the circumstances, the Board feel comfortable in declaring an unchanged interim dividend of 10 cents per share affording 2.3 times cover. The marked improvement in market conditions and prospects for the financial year should ensure that the final dividend is, at least, maintained at the 1987 level.

DECLARATION OF INTERIM DIVIDEND

NOTICE IS HEREBY GIVEN that dividend No. 88 of 10 cents per share (1986—10 cents) for the six months ended 31 December 1987 has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 18 March 1988 and to persons presenting Coupon No. 188 detached from Share Warrants to Bearer.

Warrants in payment will be posted from the Johannesburg and London offices on or about 19 April 1988 to members at their registered addresses or in accordance with written instructions received and accepted by the company on or before 18 March 1988.

Non-resident shareholders' tax at the rate of 15% will be deducted from dividends payable to members whose addresses in the register of members are outside South Africa.

The conditions applicable to this dividend can be inspected at the Johannesburg and London offices of the company.

ENCASHMENT OF COUPON NO. 188

The dividend on shares included in Share Warrants to Bearer will be payable on or after 21 April 1988 to persons presenting Coupon No. 188 at the London office, 8/16 Earl Street, Finsbury Square, London EC2A 2NA or at the office of Credit du Nord, 6-8 Boulevard Haussmann, 75009, Paris. Coupons presented at the London office must be deposited four clear days before being paid and unless accompanied by Inland Revenue declarations, they will be subject to deduction of United Kingdom Income Tax.

Registered Office
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PARKTOWN 2193

London Office
8/16 Earl Street,
Finsbury Square EC2A 2NA.
4 March 1988.

By Order of the Board
J. W. MACKENZIE
G. FISCHER
Directors
Transfer Secretaries
Central Registrars Limited.
154 Market Street, Johannesburg.

NOTICE

MITSUBISHI RAYON COMPANY, LIMITED

Mitsubishi Rayon Company, Limited (the "Company") Bearer Warrants to subscribe up to Y15,235,000,000 for shares of common stock (the "Warrants") issued in conjunction with an issue of U.S.$ 100,000,000 2⅝%. Notes 1992 (the "Notes") and adjustment of subscription price to be made as a result of the authorisation of free share distribution.

Notice is hereby given that with respect to the issuance of new shares for free distribution authorised at the meeting of the Board of Directors of the Company held on February 15, 1988, the shareholders appearing on the register of shareholders of the Company as at 3.00 pm on Thursday, March 31, 1988 (Tokyo time) (the record date) will be allocated two (2) new shares for each hundred (100) shares owned, and as a result of such authorisation of free share distribution the following adjustment of the subscription price for the Warrants shall be made pursuant to Condition 7 of the Terms and Conditions of the Warrants:

1) Subscription price before adjustment:	Yen 531 per share
2) Subscription price after adjustment:	Yen 520.60 per share
3) Effective Date of the adjustment (Tokyo time):	April 1, 1988

Mitsubishi Rayon Company, Limited

Teruo Kawasaki
President and
Representative Director

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The Prudential's man of property

By Paul Cheeseright

MICHAEL MALLINSON looks after more people's property investments than anybody else in the country, even though the investors have probably never heard of him and it is doubtful whether they know what property holdings they have anyway.

He is the property manager of Prudential Portfolio Managers, part of Prudential Assurance, a man in charge of a £3.7bn portfolio, the biggest in the UK private sector.

Of that total, £3.2bn is from investment by the Pru's life funds and £500m from other funds.

The sheer weight of the Pru's financial resources, its position in the marketplace and its role as the biggest institutional property investor give Mr Mallinson a degree of influence in the sector granted to few others.

This influence becomes particularly significant as the sector rides out the effects of October 19.

For the Pru, that Black Monday, when the stock market crashed and changed the perceptions of many equity investors about property companies, has come and gone with barely a trace. "In the property market purely in its own terms, I don't believe it has made a great deal of difference," said Mr Mallinson.

The most obvious impact has been on the central London office market - "it shortened the time horizon of optimism on the City" - and it gave a jolt to the way equities as such have been viewed by fund managers. Not surprising when millions of pounds were wiped of share values.

Surveyors immediately grasped this and used the difficulties in one market to trumpet the virtues of another. Mr Mallinson goes along with that to some extent. "I guess it (October 19) has made most fund managers content to have a higher exposure to a more placid market."

But the fund managers did not and have not lurched headlong into the property market. Uncertainty held people back from buying properties. Funds desired more liquidity and they had to pay attention to the broad balance in their investment portfolios, because where that portfolio held property, the value of the property rose in proportion to the lower value of equities.

Generally this situation has been corrected. Certainly so at the Pru, where, even before the market crash it was viewing the investment prospects for property more favourably.

Returns had been increasing and the state of the market combined with national economic growth suggested they would continue to rise. The Pru's internal rate of return on property investment last year was more than 30 per cent.

This would suggest that instead of having, in cashflow terms, a minor move out of property, the Pru this year could have a move into it.

In the four years from 1984 to 1987, the Pru life funds disposed of £377m more property than it bought. This does not make much of a dent in a huge portfolio, which at one stage had 3600 buildings and now has 2900. Indeed, the property proportion in the Pru's life funds investment remains around 20 per cent, rather higher than that for most life insurance companies.

Pension funds have tended to move out of the property market with more energy than the insurance companies. Over the same four years, the other funds managed by the Pru sold £201m more property than they bought, relatively a larger sell-off than the net disposals by the life funds.

"Modestly we are in the market in certain areas," Mr Mallinson declared. He is looking for retail warehouse purchases. He is looking at industrial property, to correct an imbalance in the portfolio and to garner the income stream. Offices make up 53 per cent of the Pru life funds' property portfolio. Retail property takes up 40 per cent and agricultural property 4 per cent. Industrials account for just 3 per cent.

"We are not buyers of High Street shops", asserted Mr Mallinson, but added that "provincial offices look interesting." This interest comes out of what he called "the second stage of the ripple effect. The strength of inner London is spreading out to perimeter locations." And by perimeter locations he meant not just the M25 corridor, but cities like Glasgow and Manchester.

Arguably, the jolt to the system of October 19, the retrenchment among some of the financial groups plus the high level of building in Central London has lowered the probability of the high capital gains in the country's leading office market. The concomitant of this is to make strong income streams more attractive. Mr Mallinson makes no bones about it: "I prefer guaranteed returns."

Underlying all this though is another factor - the reduction of inflation. "Fund managers prefer income. It was only the agonies of inflation which forced you to worry about capital value," said Mr Mallinson.

High yielding industrial property automatically becomes more attractive once a manager can stop fussing about capital gains and can feel confident about a continuation of economic growth. "Well chosen, you're in the most exciting investment area of all," Mr Mallinson observed.

There is, though, a half-way house "where you would have a market made up of the short term players - the property companies - while the long term players would be the institutions with the debt."

Once the institutions start moving down this road, then there will be a shift in the pressure on fund managers. Although they are investing other people's money and hence have to decide where to place it with a degree of caution, at the same time they have to produce results which are comparable with competitors.

"Trustees will not accept under-performance," asserted Mr Mallinson. "It is difficult to persuade them of the wisdom of short term under-performance for long term over-performance."

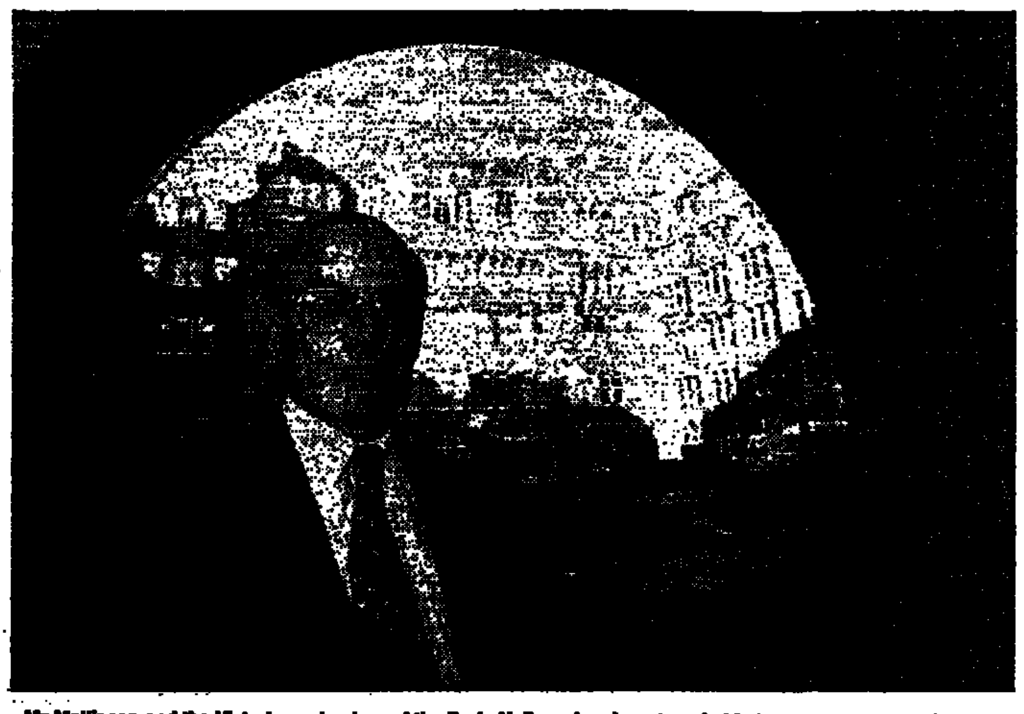
This is not so much a matter of competing with equity funds but of obtaining a return on property which can be "stacked against other similar funds."

Because property until recently has looked so unrewarding compared with equities, there has been a natural pressure on institutions to abandon the passive role of simply collecting the rents and to seek added value, through trading and development.

While institutions will continue to extract maximum value from what they own, the emphasis on mere short-term performance may diminish. "I can see situations in which the retention of property for the income it generates could once again appeal to trustees," Mr Mallinson predicted. One of those situations would be the sluggish performance, over a period of years, of the equity market.

None of this, though, presages any immediate change in the Pru's investment policy which remains based on two pillars. First, there is the internal perception of the shape of the total investments - so many offices, so many retail properties. This is a changing mix as the new emphasis on industrial property shows. But any radical change to the life fund's investments could take up to five years to achieve. Second, the purchase of properties which will provide over a period of not more than five years the sort of returns the Pru would find acceptable.

But both of these factors are conditioned by the availability of stock in the market. It is symptomatic of the more aggressive spirit prevailing these days that if there is stock the Pru wants, it is not afraid to lead the market upwards - that would have been unheard of in Mr Mallinson's early days.



Mr Mallinson and the Victorian splendour of the Pru's Holborn headquarters: behind him, a property staff of 480, in front of him, a portfolio of £3.7bn

The Pru's Mr Mallinson has more autonomy to buy and sell than most institutional fund managers. A member of the Pru's Investment Management Committee, which meets weekly, he reports to it rather than seeks permission from it.

Only if he wanted to make a very large or contentious investment decision would he seek prior authority. Projects of £20m-£30m do not raise an eyebrow.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
4	5	6	7	8	9	10

Music

LONDON

BBC Symphony Orchestra conducted by Gennadi Rozhdestvensky with Viktoria Postnikova, piano. Sofia Gubaidulina Symphony, Schumann, Bach/Elgar. Royal Festival Hall (Tue). (928 3191)

London Mozart Players conducted by Jane Glover with Stephen Hough, piano. Michael Haydn, Haydn, Mozart and Jonathan Harvey. Queen Elizabeth Hall (Wed). (928 3191)

Royal Philharmonic Orchestra conducted by Walter Weller with Louis Lortie, piano. Dvořák, Rachmaninov, Mussorgsky/Ravel. Royal Festival Hall (Thur).

TOKYO

Janusz Olejniczak (piano). Chopin. Suntory Hall (Tue) (505 1001).

Peter Damm (French horn) with Reiko Honsho (piano). Mattus, Vivaldi, Schumann, Rossini. Tokyo Bunka Kaikan recital hall (Tue). (461 2390).

Yomiuri Nippon Symphony Orchestra conducted by Heinz Rogner. Mahler and Takemitsu work commissioned for the orchestra's 25th anniversary. Tokyo Bunka Kaikan (Tue). (270 5151).

Israel Philharmonic Orchestra, conducted by Zubin Mehta. Mozart (Wed); Bruckner (Thur). Suntory Hall (725 8888).

PARIS

Baroque Music - Les Arts Florissants with W. Christie as conductor and harpsichord soloist: Montéclair, Clérambault, Campra (Mon). Auditorium des Halles (42301616).

Alicia Nafé with Jean Lemaire, piano (Mon). Théâtre de l'Athénée (47426727).

Ensemble Orchestral de Paris conducted by Armin Jordan, Bella Davidovich, Piano: Rossini, Mozart, Frank Martin, Stravinsky (Tue). Salle Pleyel (45638873).

Michael Levinas, Piano: Beethoven (Tue). Salle Gaveau (45632030)

Itinerary Ensemble conducted by Mark Foster: Kaija Saariaho, Frederick Durieux, Magnus Lindberg (Wed). Centre Georges Pompidou, Grande Salle (42 60 94 27).

ITALY

Milan, Teatro alla Scala. Philharmonia chen Virtuosen. Mendelssohn, Schubert, Dvořák, and Bartok. (Mon) (80.91.26).

Florence, Teatro Comunale. Carlo Maria Giulini conducting Franck and Fauré with soprano Kristina Laki and baritone Dale Duesing (Wed and Thur). (27 79 236)

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Beethoven played by the Cleveland Quartet (Wed). (39 33 04).

Rome, Auditorium in Via Della Conciliazione. Gabriele Ferro conducting Mozart, Razzi (with mezzosoprano Daniela Uccello) and Strauss (Mon and Tue). (65 41 044)

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Maria Tipo, Bach (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, Escher, Bruckner (Wed, Thur). Recital Hall, Quadro Hotteterre, Purcell, Blow (Tue). Anner Bijlsma, cello, with Marianne Kweksilber, soprano, and instrumentalists, Hindemith (Thur). (71 83 45).

Utrecht, Vredenburg. Riccardo Chailly conducting the Concertgebouw Orchestra, Escher, Schumann (Mon). The Netherlands Philharmonic conducted by Hartmut Haenchen, with Sabine Meyer, clarinet, Bach, Mozart, Ligeti, Shostakovich (Wed). Recital Hall, Vermeer Quartet, Britten, Haydn (Tue). Anner Bijlsma, cello, with Marianne Kweksilber, soprano, and instrumentalists, Hindemith (Wed). (31 45 44).

The Hague, Philipszaal. The Asko Ensemble and the Hague Percussion Group conducted by Peter Eotvos, with Pi Hsien Chen, piano, and Elisabeth Chojnacka, harpsichord, Crego, Carter, Lachenmann (Thur). (60 98 10).

Rotterdam, Doelen, Recital Hall, Robert Holl, bass accompanied by Rudolf Jansen, Schubert (Wed). (413 24 90).

NEW YORK

Baltimore Symphony, David Zinman, conductor, Yo-Yo Ma, cello. Harbison, Barber, Dvorak (Mon). Carnegie Hall (247 7800).

Bung Kwan Chen, piano recital. Bartok, Beethoven, Scriabin, Chopin (Tue). Kaufmann Hall, 1395 Lexington Av (996 1100).

New York Philharmonic, Klaus Tennstedt conducting. Mozart, Beethoven (Tue). Klaus Tennstedt conductor. Mozart, Beethoven (Thur). Avery Fisher Hall (874 2424).

Maurizio Pollini, piano recital. All-Beethoven programme (Wed). Carnegie Hall (247 7800).

Steven Mackey vibraphone and Gerald Rank piano. Baroque vibes duo featuring music by J S Bach (Wed. 12.30, Free) Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

Vladimir Ashkenazy piano recital. Schumann, Chopin (Thur). Carnegie Hall (247 7800).

WASHINGTON

National Symphony, Mstislav Rostropovich conducting, Anne-Sophie Mutter violin. Sibelius, Bruckner (Tue). Leopold Hager conductor, Claudine Carlson mezzo-soprano with Women of the Oratorio Society of Washington directed by Rober Shafer. Bizet, Berlioz, Debussy, Ravel (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chamber Orchestra of Europe. Claudio Abbado conductor, Teresa Berganza soprano, Haydn, Mahler, Schoenberg, Mendelssohn (Tue). Orchestra Hall (435 8111).

Exhibitions

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of cubism. (42569024). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still life by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out the influence on the transformation of the Dutch artist's traditionally sombre colours into a soft impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33). Closed Tue. Ends May 16.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon. Ends May 7.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. Young Turner: Early Work Until 1800. The latest in the continuing series of small temporary exhibitions in the Clore Gallery devoted to the many aspects of the vast number of water-colours and drawings in the Turner bequest. This display covers the crucial 12 years or so from the mid-1780s which saw Turner mature with astonishing rapidity from competent conventional topographer to a virtuoso of the medium of water colour of astonishing breadth, freedom and originality. Ends March 20.

Tate Gallery, David Bomberg – A full retrospective of one of the most distinguished British painters of the century, yet one whose secure critical success came only after his death in 1957, at the age of 66. As a young man in London before the First World War, Bomberg was associated with the Vorticist movement, of the first importance and originality. But now we can see that far from fading into sad mediocrity, deserving of neglect, his later work, though superficially so different, retained all that strength, liveliness and profound originality.

ITALY

Rome, Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40-year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series *of portraits of well-known writers* and artists. Tender but unsentimental in the images of children and lovers among the rubble of the bombed city, Doisneau is illuminating, humorous, and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prevert posed carefully in front of the shop Merode, so that the O is covered; Colette with an enormous collection of paperweights, and Julien Green, de Beauvoir, Simenon, Dubuffet and Giacometti. Ends April 3.

Florence, Palazzo Pitti. Floralia – 80 paintings of flowers and plants with drawings, tapestries and illustrated botanical books, testifying to the Medici's precocious passion for this science, from Cosimo I onwards. Ends April 10.

SWITZERLAND

Geneva. Alberto Giacometti drawings and rare prints. Galerie Jacques Benador, 7 Rue de l'Hotel-de-Ville: (21 61 36). Ends March 26.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 180 drawings, the show comes from the Louvre with his *studies of* contemporaries in theatrical costumes as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

TOKYO

National Museum, Ueno. *Preliminary* Paintings for Edo Castle. Recently discovered watercolours and working drawings by artists of the Kano School *for a remodelling in the* 1830s or 1840s of the shogun's castle, where beautiful paintings decorated the sliding paper doors and ceilings. *The idealised landscapes flow effort*lessly from panel to panel, with an abundance of seasonal flowers, birds and animals. Of particular interest are the sketches for the Pine Corridor, setting for one of the more violent incidents in Japanese history (portrayed in countless *plays, films and soap operas), but* here revealed for the first time as an idyllic riverside scene replete with swooping birds. Sadly, the charming picture of a baby dragon toying with a length of blue ribbon like a playful puppy was not used to adorn the walls of a nursery. Ends March 21.

Japan Folkcraft Museum (Nihon Mingeikan, Komaba). Prints by Munakata Shiko; pottery by Kawai Kanjiro. A special exhibition featuring *works by two of the leading Japa*nese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards); while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb standing collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the un-selfconscious beauty of the objects. Ends March 27.

WEST GERMANY

Berlin, Martin-Gropius BAU. Joseph Beuys (1921-1986). This is the first *complete show of Beuys works ever* presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of *the 1940s to the end of the 80s based* on a cycle The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's *memories*. Beuys was a political radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110. Ends May 1.

NETHERLANDS

Amsterdam. Stedelijk Museum. An explosion of colour and exuberance fills 10 of the museum galleries in the Frank Stella retrospective of paintings and reliefs from 1970-1987. *Ends April 10.*

Amsterdam, Overholland Museum. Frank Stella drawings 1956-1970. Museumplein 4. Ends April 10.

Amsterdam, *Rijksmuseum. A selec*tion of 80 Dutch drawings from the period around 1600 to coincide with the publication *of the third in the* printroom's series of fully illustrated catalogues of its Netherlandish drawings. Ends March 20.

Opera

LONDON

Royal Opera (Covent Garden). Mirella Freni sings her first London Tatyana in the Eugene Onegin revival, Jean Rigby, and Nicolai Ghiaurov, conducted by Mark Ermler. Margaret Price returns to the Royal Opera in the revival of Un ballo in Maschera. 240 1066)

English National Opera (Coliseum). Ian Judge's production of Cavalleria rusticana and Pagliacci, lively, inventive, over-detailed, returns with a cast including Jane Eaglen, Arthur Davies, Angela Feeney, Alan Woodrow, and Jacek Strauch. In the first ENO production of Britten's Billy Budd the cast is led by Thomas Allen in the title role. (836 3161)

PARIS

Tokyo Ballet and Béjart (Palais des Congrès). A reconciliation of traditional Kabuki dance and a more contemporary approach. (47581404).

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of twelve works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Levine conducts Così Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in [illegible] Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanschchina. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens, Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. (362 6000).

WASHINGTON

Washington Opera (Kennedy Center Opera House). Frederica von Stade in the title role in Cendrillon conducted by Mario Bernardi joins Beethoven's only opera Fidelio. It is conducted by Gerard Schwarz, produced by Michael Hampe and features Leila Anderson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770).

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank has star tenor Luciano Pavarotti in the title role. Madame Butterfly is respectable with Yoko Nomura, Giorgio Merighi and Andreas Schmidt. Oedipus will be conducted by Christof Prick. Manon Lescaut brings Raina Kabaivanska, William Murray and Giorgio Merighi together. Die Verkaufte Braut completes the week.

Hamburg, Staatsoper. Der Fliegende Holländer stars Carmen Reppel, Siegmund Nimsgern, Heinz Kruse and Harald Stamm. Don Giovanni in Marco Arturo Marelli's production is revived with Samuel Ramey, Linda Plech, Arlita Mattila and Kurt Streit. Also in the repertory: Zar and Zimmermann.

Cologne, Opera. Aida has fine interpretations by Bruna Baglioni, Wassilio Janulako, Ulrich Hielscher and Awilda Verdejo. Wozzek has Walter Berry, Nadine Secunde. Don Pasquale features Reinhard Dorn, Janico Hall and Ludwig Baumann.

Frankfurt, Opera. Don Giovanni has *William Shimell in the title role, for* the first time. Così Fan Tutte, conducted by Gary Bertini has Margaret Marshall, Diana Montaque and David Kuebler. This week's highlight is Otello with star tenor Rene Kollo.

Stuttgart, Württembergisches Staatstheater. Fidelio with Marianne Hirst, Wolfgang Probst and Toni Kramer. Madame Butterfly has Awilda Verdejo, and Michael Austin as leads. Otello has a strong cast led by *Gabriele Benackova-Cap, Vladimir* Atlantow and Bernd Weikl.

MILAN

Milan, Teatro Alla Scala. Francesco Cilea's Adriana Lecouvreur in Lamberto Puggelli's production conducted by Guiseppe Patane.

NETHERLANDS

Amsterdam, Muziktheater. The Netherlands Opera in Salomé by Richard Strauss, directed by Harry Kupfer. The Nederlands Dans Theater with Tabula Rosa (Part/Naharin), Frankenstein (Gruber/Kylian), and Symphony of Psalms (Stravinsky/Kylian) (Wed). (255 455).

Groningen, Schouwburg. The Junge Oper Wien with Mozart's Die Zauberflote conducted by Wolfgang Gabriel and directed by Hanns Zimmerl (Tue). The Reflex Dance Company with Palace Variations and *three new pas-de-deux* (Wed, Thur). (12 56 45).

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as *Sir Sydney Cockerell, a museum* curator and friend of Shaw (Ray McAnally) and a remarkable abbess(Rosemary Harris). Hugh Whitemore's play shuffles a tripartite correspondence to provide Gielgud, now 83, with a perfect vehicle. (437 2663, CC 434 3598)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which *poisoned marriages nearly under*mine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy *for cham*pagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but *new* cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the *large scale.* (928 2252).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (*Majestic*). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported *Joseph* Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. But so hard are tickets to come by that travel companies are advertising packages to London with promises of tickets to see the show there. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up *silly* plot. (586 6510).

Me and My Girl (*Marquis*). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Mail (Eisenhower). A Broadway-bound musical delivers the post that accumulates and comes to life for a New York teacher after his escape to the mountains of Vermont. Ends March 30. (254 3670).

CHICAGO

Landscape of the Body (Goodman). John Guare's 1977 surrealistic view of an American family, combining mystery, murder and lyrical passages features Amy Elizabeth Geis, Ray Bradford and Gary Cole in Robert *Falls' production. Ends April 2.* (443 3800).

TOKYO

A Streetcar named Desire (Imperial Theatre). This could prove to be the theatre event of the year. Japan's most distinguished director, *Yukio* Ninagawa (whose Macbeth and Medea have triumphed in Edinburgh and London) has transposed Tennessee Williams' play from New Orleans to Tokyo in the aftermath of the Great Earthquake of 1923. One of Japan's finest actresses, Ruriko Asaoka plays Blanche Dubois. (201 7777).

Hanagumishibai in Princess Sakura's Storybook of Dawn (Parco Space 3). This all-male company was founded *in 1983 and presents neo-kabuki*, combining elements of the traditional theatre with modern jazz and dance. An interesting low-budget contrast to the expense and excess of Ennosuke. (477 5856) Ends March 10.

Me and My Gal (Takarazuka Theatre). Thirties musical, recently revived successfully in London and New York and performed here in Japanese by an all-girl cast. Takarazuka therefore represents the other side *of the coin to* all-male Kabuki. (201 7777)

The Seagull (Nissei Theatre). Moscow Art Theatre perform Chekhov's play in Russian. After a period of stagnation, the company founded by Stanislavsky and Nemirovich-Danchenko in 1898 is said to be undergoing something of an artistic renaissance under *glasnost*. (591 1906). Ends March 13.

Yamato Takeru (Shinbashi Enbujo). This staggeringly successful super-kabuki *production* by kabuki's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. The story is based on one of Japan's oldest legends but it is less important than the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation reared on rock music and action movies. Buy the English programme if you want to follow the twists and turns of the plot. (541 2211).

Kabuki (Kabuki-za). For kabuki of a more traditional kind Kabuki-za is the place to go. It celebrates its 100th anniversary this year and this month features Kana Dehon Chushingura, based on the story of the 47 loyal retainers. In two parts, at *11am and 4pm. Excellent English* earphone commentary. (541 3131).

ARTS

Cinema/Nigel Andrews

Boozy anarchy ruled by Rourke

Barfly directed by Frances Barbet Schroeder
Babette's Feast directed by Gabriel Axel
I've Heard The Mermaids Singing directed by Patricia Rozema
Brain Damage directed by Frank Henenlotter
Jewish Film Festival

Mickey Rourke in *Barfly* looks as if he has climbed out of the wrong side of a dustbin. Lank, greasy hair frames a stubble-bearded face. Two pink-rimmed, baggy eyes peer out at an ill-focused world. And during the course of the film glasses of whisky – nay, whole bottles of whisky – perform remarkable vanishing acts shortly after being seen close to his mouth.

Rourke plays Henry Chinaski, writer, hard drinker and unambiguous stand-in for author Charles Bukowski, who scripted this movie. *Barfly* is a swansong for the grand old days of Beat, when the Kerouacs, Cassadys and Bukowskis reigned, and when artistic integrity was synonymous with drinking yourself under the writing table. Living it up by night and sleeping it off by day, you were only a true artist if you looked like the before picture in a recruiting poster for Alcoholics Anonymous.

Directed by Frances Barbet Schroeder (of *La Vallee* and *Maitresse*), the movie is daft but oddly enjoyable. Nothing happens, to speak of. Just a few fights between Rourke and his bar cronies: a romance with fellow-drunk Faye Dunaway ("she looks like some kind of distressed goddess," burbles Rourke on first bibulous sight): a brief fling with a snooty magazine editor (Alice Krige): and the odd row, stabbing or soliloquy about Life.

What gives all this high-octane Bohemian nonsense its charm and wit is Rourke. He manages to act the role and lampoon it at the same time. The voice is a sing-song drawl out of W.C. Fields. The walk is a stooped shamble, with hitched-back shoulders, splayed elbows and thrust-out chin, suggesting a drunk with dreams of prizefighting glory. And to see Rourke at work in his local bar, shooting the bull and stealing his neighbours sandwiches ("All I need is a little fuel" he mumbles in refrain) is to see the acceptable – even the endearing – face of social anarchy.

Next to him nothing else much matters. Faye Dunaway flashes glamorously blanched and hollow cheekbones, as if modelling for a Vogue edition on down-and-outs. Alice Krige trips tokenly through, a yuppie careerist set up by Bukowski to be shot down. And Robby Mullers photography does a fair job of romantic dinginess, even though Rourke's supposedly penurious flat is large and airy and commands an advantageous view over what looks like L.A's Echo Park. What one remembers from this movie is Rourke himself. What one prefers to forget is the implied motto that drunkenness is next to godliness.

★

In a world far removed from *Barfly's* boozy anarchy dwells Gabriel Axels *Babette's Feast*. This Danish film based on a tale by Isak Dinesen (a.k.a. Karen Blixen of *Out Of Africa*) is scrupulously well-behaved. In demure greys and blues, it paints a corner of Jutland 100 years or more ago, where two chastely beautiful daughters of a village pastor break the hearts of two rejected young suitors. The years pass, the fractured organs are forgotten, and then one night in the evening of the century a grown-up ex-suitor, now a General, comes to dinner and enjoys the meal of his and their life.

For, you see – throw another log on the fire, readers – the sisters have employed for some years a French cook called Babette (Stephane Audran). A refugee from the fall of the Paris Commune (1861), she has obediently cooked austere Danish meals for them until tonight when, at her special request, she runs culinarily amok. Quails, champagne, caviare, turtle soup, you name it, it is on the menu: imported from her native France to gasps of appreciation from the hosts, the guest and the invited villagers.

The tale is a Dinesen classic. It mischievously rhymes romantic love with romantic eating, broken-and-patched-up hearts with broken-and-mended palettes. Dinesen's attack on puritanism and self-abnegation is all the more effective for being wittily veiled. In early scenes, Axel's film beautifully captures the story's poker-faced anecdotalism. A lady narrator's voice frames the wooing scenes, as if they were *tableaux vivants* from distant memory, and coolly dispenses the authorial ironies. (At that time piety was in fashion at court.)

Once the sisters and the story grow into old age, the grip loosens a trifle. The climactic banquet scene is accompanied by too many winks and nods from the director: as if to say, "Ooh, look at that old dear giving the claret the glad eye!" or "Tee hee, I wonder what their reaction to the vintage champagne will be." In addition, the sisters in old age (Birgitte Federspiel and Bodil Kjer) seem to have been cross-cast: they each look like their opposite number when young, causing us several moments of confusion.

Fortunately, Mlle Audran is on hand. With her sculpted cheekbones and patrician gaze, the former first lady of Claude Chabrol's films is an irresistible force of nurture. She sallies forth from Paris to pit cultured paganism against diehard Christian frugality. And as soon as we see her concerned gourmet hand hover over the condemned turtle, we know it is all up for Danish self-denial and that Dinesen is served.

★

Patricia Rozema's *I've Heard The Mermaids Singing* is a long-winded Canadian whimsy about a girls search for love, work and identity. The goofy young heroine (Sheila McCarthy) resembles a freshly hatched bird: pale, beaky and wide-eyed, with an untidy thatch of feathery red hair. She monologues to us scattily on a home video camera; she gets a job as secretary at an art gallery; she falls for the handsome lady boss (Paule Baillargeon); and she is unhappy to discover that Mlle B and her girlfriend (Anne-Marie McDonald) are involved in art frauds.

Since the heroine's name is Polly and since there is mention of Freud's theory of Polymorphous perversity – the all-receptive sensuality of the young child – we have clearly fallen amongst symbols here. Our Polly is presented as a pre-pubertal innocent in adults clothing: a young woman who has no sexual relationships of her own and keeps asking others, who do, if they love their partner as a mother or brother or sister.

But despite the movies frequent kingfisher dives into symbolic or Freudian fantasy – scenes of flying, walking on water and hearing mermaids sing (courtesy of Delibes) – this fable of Innocence and Experience seldom comes up with any interesting prey. And McCarthy's dimpled, simpering heroine is wearisome company even for a modest 87 minutes.

★

"Sleazy movies are my world," says writer-director Frank Henenlotter in the publicity for *Brain Damage*. "Give me 23 million dollars and I'll give you 23 low-budget sex and horror films."

Thank you, Mr Henenlotter. One will do very nicely. Or two, if we must: since this gory romp, in which a live turd-like organism takes over a young man's brain with nasty results, follows on from the same film-maker's marginally better *Basket Case*. This time round there is much blood, much special-effects yuk, and a script that could seriously damage your health.

Better to visit the National Film Theatre's 4th Jewish Film Festival. Louis Malle's Venice Golden Lion winner, *Au Revoir Les Enfants*, leads the pack of feature films and documentaries. But the major curio is *The Wannsee Conference*, re-enacting from the surviving minutes the actual Berlin meeting that rubber-stamped the Final Solution. Gaze in horror at the calm, brisk, businesslike proceedings. Director: Heinz Schirk.

Mickey Rourke, Faye Dunaway and Alice Krige in "Barfly"

Tales From A Long Room

Michael Coveney

Two short adaptations from the comic sketches of Peter Tinniswood make for a slight, and slightly amusing, evening in the Lyric Hammersmith's small studio.

In *Tales From A Long Room* William Rushton plays the blimpish Brigadier, reminiscing by the garden shed in Witney Scrotum while the dread wife has removed to Cheltenham to see her ghastly sister. And in *Uncle Mort's North Country* he plays the sermonising First War veteran in flat cap and muffler who fails to see the attraction of foreign climes when a man has got all he could possibly want in Wakefield Market.

Tinniswood's writing is episodic and terse, richly studded with folklorish invocations of cricketers and entertainers. John Inman is somehow genealogically linked with Imran Khan. The Brigadier's wife was fleetingly attractive to him for her resemblance to Herbert Sutcliffe. Uncle Mort and his nephew Carter Brandon (Sam Kelly) agree they have always disliked Jewell and Warriss.

Both of Mr Rushton's characters are likeable bigots, airing prejudices with the destructive flourish of men irreversibly set in their ways. With the wife gone, the Brigadier can feel free to break wind by the french windows and to ramble on about a disastrous cricket tour to the Belgian Congo where the balls were made of pygmies' skulls. He approves of apartheid, the term applied to the segregation of the sexes.

Men without women are men better off. Mr Rushton emerges from his shed, resplendent in whites and a blazer, attended by his "ablutions wallah" (David Adams) and the dull gardener Bedser (Sam Kelly) who has a twin brother and delivers, unprompted, a lecture on how to buy and cook sausages and chips. This is reasonably funny if you are aware of the Bedser twins and their flat South London intonations and just as reasonably funny if you are not.

But Peter James's production is hardly an event of transforming adaptation. This stuff goes well on the radio. The *Long Room* stories have a pleasing rhythm and shape entirely jettisoned by hacking out odd bits of them.

A cringing cricketing sermon, lowgrade Alan Bennett, has been invented for Sam Kelly. When the prie-dieu is fumbled upstage, you see the script stuck to the book rest. That sort of makeshift amateurism is typical. And Tinniswood's delicious confusion of Queen Victoria with the slow bowler "Bomber" Wells is coarsened in a *Charley's Aunt* sequence.

A descriptive narrator disfiguring the otherwise more successful playlet, a sort of Joycean Bloomsday for Uncle Mort and his nephew caught contemplating the world from the comparative safety of a dowdy bedroom before staggering forth to a string of pubs and the Old Comrades Club. Women have no place here either, except in Uncle Mort's vision of an unattainable lovely who did not taste of gravy when she kissed you.

A sporting hero is buried, a fire blazes outside, while Uncle Mort laments the softening of the North – where you once knew where you were with poverty, disease and black pudding – in the image of the South. Tinniswood deals in clichés, but does so with lightness and charm. The performances respect those qualities and there is genuine double-act potential in the Rushton and Kelly combination.

Alastair Muir

David Adams and William Rushton

Close of Play/Northcote, Exeter

B.A. Young

When the stage-lighting comes up around Jasper, sitting silent and immobile in his armchair, he remains as silent and immobile as ever, apparently uninterested, and so he remains all evening. The part was written for the seventy year old Michael Redgrave who played it in the National Theatre production in May 1979. How much attention he paid to the goings on is hard to say, for there is no reference to the play in his autobiography.

Around him, during one single afternoon, his relations talk about themselves and one another. Strictly speaking, there is no plot: the scheme is to study the personal details of the characters and knit them together into some dramatic pattern. Simon Gray has given them all lives of some interest.

Jasper (Alan Cullen) has two surviving sons. Benedict (Christopher Northey), is a BBC executive of some kind, an alcoholic who quotes constantly from a psychologist to whom he says he is going for treatment. Henry (Patrick Romer), is a GP, much admired for his kindness to his patients, especially to Mrs O'Killian, whom he makes sound bizarre; she demands his attention almost daily, and sends her thuggish sons to make sure he will come.

Benedict's wife Margaret (Nina Holloway) has just published a novel with some success; she is a patient, unromantic woman. Marianne (Sally Greenwood), Henry's wife, has five children and is pregnant of a sixth. Jasper's cousin Daisy (Maureen O'Reilly) tends his needs since the death of his wife; and teenage, modest Matthew (Tom Surrey) is the son of Jasper's late third son Dick, of whom everyone speaks well, and his colourless mother Jenny (Toni Green).

Then Simon Gray opens his box of tricks. Benedict has no psychiatrist. Henry has regular sex with Mrs O'Killian – part, he kids himself, of her treatment. Favourite son Dick was no favourite of his brothers', and his boy Matthew may or may not be growing up gay and possibly a kleptomaniac. Margaret is no longer prepared to cope with drunken Ben, philoprogenitive Marianne isnt really good with children. Daisy has long been secretly married to Jasper.

Can one family be so full of hidden weaknesses? Jasper thinks so, I suspect. He never says so; apart from a scream at the end of Act One, he says nothing but "The door is open," the phrase chanted earlier by all the family. But there he is, dozing on his chair, helpless at the receiving end of his family's talk. How can he avoid thinking about them, thinking the worst of them, all this time?

Directed by Martin Harvey, the company is convincing all through. Meg Surrey has put them into an anonymous living-room set, where even the pictures are as blank as the walls.

Arcade/Tabard

Martin Hoyle

The first play by Sheffield graduate Christina Katic to be produced in London is an odd mixture of the promisingly accurate and the turgidly tiresome. The hopeless drifting of (we assume) unemployed youth around a seaside resort is charted through a marine mist of symbolism with flashes of insight occasionally cutting through the murk.

Polly Teales production at the Tabard, above a beautifully-tiled listed pub in Norman Shaw country, round the corner from Turnham Green tube station, opens with three youths, their grimly rapt faces spotlit, variously immobile or jerkily intense. The sound effects portray their addiction: pin-ball, Packman, space invaders. Sometimes the machines go wrong and they yearn for Jeff, the amusement arcade manager, as others long for Godot.

These rough cockneys are joined by scouse Gin (Joy Blackman), plodding back with suitcase after six months absence. Despite her aggressive demeanour and unlovely accent (the real Mersey sound – that plaintive blend of carping truculence and whining self-pity), she has not returned on bail from Brussels but from working in London which she finds too exhausting. As night falls she trudges around to harangue, seduce or nag the others into some sort of action, only to abuse them when they take her at her word. Meanwhile her loving, hurt mum (Victoria Plum – a cousin of Helen Cherry perhaps?) chases her with presents and the promise of her favourite tea, fish fingers and mushy peas, waiting at her abandoned family home.

The three yobboes are sharply observed in the writing and well differentiated in the playing: laconic Pincher (Neil Packham), the loud, violent Money (Patrick Kilian) and grinning thicky Sod (a performance of lovely inanity from Philip Porter). Unfortunately, we also have Kev, resented for his sense of purpose in building a boat that we all know will sink, whom John Downham invests with terse Geordie authority; and, disastrously, we have Vince, orphaned and pixillated, who moons around like a wraith, is embraced by Gin's mum, and fought over by Money and Kev – and whom Matthew Sim cannot rescue from fey loopiness.

If Ms Katic wants to say something about disorientated youth she must forget the symbols, the poetic dreaminess, the hangover from Expressionist drama and radio plays of the 50s, and concentrate on observation. She should also give her spokeswoman more than one note to harp on. The heart sinks as sturdy Gin trots on for more earnest exhortation or imprecation. To put it politely, if with biological inexactitude, Gin is a pain in the neck.

BBC Symphony/Festival Hall

Richard Fairman

The BBC Symphony Chorus is currently in its 60th season. They do sterling work at each Prom season and, owing to the special demands placed on them by BBC programme planners, have become remarkably adept at the most difficult works of the 20th century; but the high standards they have been setting over the last few years are no less evident when they are allowed to try the standard classics.

In Wednesday's programme they were given pride of place. There were two choral works: the little-known *Elegische Gesang* that Beethoven wrote about the time he was revising *Fidelio* and Mozart's Requiem, both of them calling for the sort of firm, lean sound that we are used to hearing these days from chamber choirs. Nor is the comparison unfair, for the BBC Chorus responded to this music with a clarity of definition in their singing that quite belies their numbers.

As though sensing this, the conductor, Lothar Zagrosek, directed a performance of the Mozart, whose zestful energy might have come from any member of the authentic movement: a headlong "Dies Irae," a brisk and business-like "Rex tremendae." Indeed, the swiftness of the "Recordare" left none of the soloists (Joan Rodgers, Alfreda Hodgson, Anthony Rolfe Johnson, Gwynne Howell) sounding entirely at their best; and there was garbled strong playing in the accompaniment.

The ensemble was untidy, too, in the three movements from Berg's *Lyric Suite* in the arrangement for string orchestra, which formed the central item of the programme. One sensed that the players had not fully come to grips with a difficult score. Nevertheless this was, in the main, a sympathetic performance, for which Zagrosek elicited the most tender colours in the best manner of Berg interpretation.

Craig Sheppard/Elizabeth Hall

Andrew Clements

The poor turn-out for Craig Sheppard's Elizabeth Hall recital on Wednesday was disappointing. It could hardly have been explained by the programme, which centred on two of the greatest of 19th-century piano cycles, nor, surely, by its beginning with Robert Saxton's 1981 Piano Sonata. The Saxton wears well. It was introduced to London, if my memory serves, by Renée Reznek in the Park Lane Group Young Artists series; her lucid, understated account was far removed from the flamboyance with which Sheppard launched it here, and in which some of the textural detail was consequently lost. But he did demonstrate that Saxton's cogent intervallic scheme, meticulously worked out across the three movements, underpins piano writing of real passion and immediacy; its ideal presentation lies somewhere between cool objectivity and such an attempt to fix it as rigourised Liszt. Nevertheless Sheppard's clear commitment to the work and enthusiastic support ought to encourage other pianists – Peter Donohoe the first to come to mind – to give it further performances.

Enthusiasm was also a distinctive feature of Sheppard's readings of both Schumann's *Carnaval* and the Diabelli Variations. The way in which the former was launched was hard to resist, and had such impulsion been sustained, or better still integrated into a coherent interpretative plan which took a consistent line on rubato and dynamic shading, the performance would have been a distinguished one. But Sheppard's impressionable inflections – almost as if he were reading through a work at home for the benefit of friends and trying out new ideas along the way rather than giving a public (and by implication considered) interpretation – never managed to crystallise into something searching or significant.

The Diabelli Variations were similarly littered with half-realised *aperçus* and potentially thrilling effects that never quite came off. Some of the ideas – widely contrasted dynamics in each hand, exaggerated articulation in one register at the expense of another – seemed to bear little relevance to the work itself. It was hard to remember, as Sheppard flitted from idea to idea, that this was an attempt to come to terms with one of the milestones in the history of the piano literature, and that somewhere, beneath the flummery, should have been preserved a core of clear, imperishable musical truth.

Saleroom/Antony Thorncroft

Weston's strategic stake

Christie's good sale of modern British pictures had its problems yesterday. It totalled £520,949 but with 26 per cent bought in. Significantly two of the biggest failures were paintings by Dorothea Sharp and Harold Harvey who have enjoyed an extraordinary appreciation in the last two years. Perhaps the expected reaction has set in. An attractive portrait of a young girl by Orpen was also unsold.

Williams and Son, the London dealers, paid an impressive £157,000, above forecast, for a view of the Santa Maria della Salute in Venice by John Singer Sargent, while another dealer, Messum, secured an idyllic garden scene by Wilfrid de Glehn for £71,500, double the top estimate. One Dorothea Sharp, of children on a rug, did do well, doubling its estimate at £30,800.

Christie's might well have had other things on its mind than its modern British sale. It was announced yesterday that Christopher Weston, chairman of Phillips, had bought another batch of Christie's shares, "in excess of 5 per cent" of the total available.

Phillips, through Weston, who is the majority shareholder there, has been investing in Christie's for some time. He does not imagine making a bid for the much larger concern, (Christie's had an annual turnover last season of £558m as against Phillips' £77m), but by building up a strategic stake he is in a strong position to play a decisive role if Christie's receives an unwelcome take over bid.

Once a company becomes an acquisition prospect there is usually a bid. Christie's directors and staff are believed to own around 22 per cent of the shares and friendly Kuwaiti interests another 11 per cent. Weston is now probably the third largest shareholder.

Phillips, which has been much more successful in acquiring valuable properties as provincial salerooms and offices than in rivalling Sotheby's and Christie's as an international auction house, is offering itself as a British solution if unsavoury interests try to buy Christie's. It is a prospect which does not please the management at Christie's, which will be augmented in the early summer by the arrival of Lord Carrington as chairman, with the task of securing the independent future of the company.

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Disagreements at NATO

THE NATO summit which ended in Brussels yesterday has achieved its main objective: that of reaffirming the Alliance's *fundamental* political solidarity and resolve to maintain its defences at a sufficiently credible level to deter any possible aggressor. Such a restatement of its basic principles, which included a firm commitment on the part of President Reagan that US troops and nuclear weapons would remain in Europe as long as required, was no doubt necessary as the US and its allies embark on an important new phase of the disarmament process.

President Reagan has been assured of the backing of his allies, both for the Intermediate Nuclear Forces (INF) Treaty, which he signed with Mr Mikhail Gorbachev in Washington last December, *and for the proposed* reduction of 50 per cent in strategic nuclear weapons presently being negotiated by Washington and Moscow. That puts him in a much stronger position in relation both to the critics of the INF agreement in the US Senate, which still has to ratify the treaty, and to Mr Gorbachev, *whom he is due to meet for* another summit in Moscow in the early summer.

The Russians, who like to have a clear picture of the people and policies they have to deal with, have been left in no doubt of the philosophy underlying the Atlantic Alliance's arms control policy. The Nato countries continue to base their approach to relations with the Soviet Union and its Warsaw Pact partners on the premise that a constructive East-West dialogue must be conducted *from a position of military* strength.

Bellicose

In the process of persuading her partners that they must, under no circumstances, drop their guard, Mrs Thatcher, the British Prime Minister, may have somewhat over-reached herself. Her sharp warnings against Soviet expansionism in Europe and her vigorous advocacy of measures to bolster Nato's military strength, both before and during the summit, sounded too bellicose by half to some of her partners.

As the result of these impressions – misunderstandings, the Prime Minister would say – Mrs Thatcher went out of her way at the final session yesterday to stress some of the positive aspects of Mr Gorbachev's policies. The arguments which the Prime Minister has employed over the last two weeks on Soviet policy and Western defence can probably be made as effectively in more measured tones.

Imprecise wording

Though the Nato leaders adopted a declaration endorsing a continued strategy of deterrence based on an appropriate mix of conventional and nuclear forces, disagreements *over the* modernisation of short-range nuclear weapons in Europe have not been dissipated. In the interest of unity, the wording in the final *communique on this subject was* imprecise enough for everyone to be satisfied.

Britain considers that the undertaking that nuclear forces should be "kept up to date where necessary" is sufficient guarantee that battlefield nuclear weapons will be modernised. However, West Germany, where public opinion opposes the maintenance of short-range nuclear weapons because of fears that they would be used mainly on German territory, can continue to argue that the text does not involve a binding commitment to modernise.

There is also continuing uncertainty about the arms control priorities which the Alliance will adopt in its dealings with the Soviet Union and the Warsaw Pact. Here again, Mrs Thatcher is at odds with the West Germans, while the other allies are prepared to adopt a lower profile on the subject. The Prime Minister emphasises that there should be no reduction in short-range nuclear weapons until after the conclusion of agreements on conventional force cuts and a ban on chemical weapons, while the Germans want reductions of short-range nuclear weapons to be dealt with at the same time.

These differences of view are not satisfactory. Sooner, rather than later, the defence and foreign ministers will have to clear up the confusion if the fine words used by their leaders to underline the unity of the Alliance are to be turned into practical and effective policies.

Incentives for better training

THE BRITISH Government is gradually developing a more coherent view of its role in the promotion of training. There is a recognition that uprating the skills and competitiveness of the workforce cannot be left wholly to the private sector.

In education, youth training and provision for the adult unemployed, the Government is encouraging closer, more active, collaboration between employers, training and education providers, and trainees. Later this year the Manpower Services Commission (MSC) will become the Training Commission, symbolising the Government's view that unemployment relief should take the form of training, rather than simply work experience schemes.

In education, it plans to push the idea of compacts in which companies would offer jobs in return for greater involvement in setting standards and in determining the curriculum. Local Employer Networks are slowly spreading through the country, with the aim of identifying employers' education and training needs.

Encouraging signs

Training on the Youth Training Scheme has gradually been improved, and employers have been encouraged to bear more of the cost. In the autumn employers will be asked to bear about 10 per cent of the cost of the £1.4bn scheme for the adult unemployed, which will offer an average of six months training for 600,000 people a year.

All these are encouraging signs of Government intervention in the training market to encourage alliances between the private sector and the mainly public sector providers of training. It is starting to bring in the private sector, in a more structured, concerted way, to set the goals. This framework of collaboration is still far from secure: there is doubt over whether enough companies will become involved in the new programme for the unemployed.

There are questions, too, over whether quality training can be provided within six months with the resources available. Even though the Youth Training Scheme has become more established in many areas it still trains British youngsters to much lower standards than their counterparts in France and West Germany.

It is easy to justify the Government's role in helping the young and the unemployed. The task of upgrading skills within the employed workforce will remain primarily a responsibility for employers. It is a matter of encouraging companies, not just to spend more, but to spend in the right way, tying the development of skills into business strategy.

Ending complacency

As yet the Government has done precious little to lead the majority of British employers out *of their complacency on training.* Employers' opposition to training boards, and to the old system of grants and levies, should not be an excuse for the Government not to take action in this field.

One immediate area where reform is needed is the sectoral Non Statutory Training Organisations (NSTOs), which were established by employers after the abolition of most statutory Industrial Training Boards in 1981. After six years, the first comprehensive survey of the 102 NSTOs found that half, covering about 2.5m employees, were "not effective". The Government should encourage a better performance. The organisations which are below par should be given a year to get their houses in order. In sectors where problems remain the MSC should be called in to establish new arrangements with employers and unions.

Another approach which is worth considering would be to empower consumers to demand a better service from the providers. Workers, as the consumers of training, should be put in a position to insist on a higher investment in training by their employers. This pressure on employers could be brought about in a variety of ways, for instance through joint worker-management training committees. A more radical proposal would be to give employees a statutory right to a minimum number of days training a year. There are attractions in giving at least some of the responsibility for policing employers, to make sure they are meeting their training obligations, not to bureaucratic, unwieldy training boards, but to the workers themselves.

Anthony Robinson on how Wednesday's by-election defeats affect South Africa's new political strategy

A plan built on an economy in evolution


P.W. Botha and Andries Treurnicht (left) battle for the soul of Afrikanerdom

"VOTE with your brain cells not your blood cells."

That was the advice which Mr F.W. de Klerk, Transvaal leader of South Africa's ruling National Party, gave to his fellow Afrikaners during this week's televised debate with the leader of the opposition. If all you can offer other race groups is inferiority in perpetuity, he warned, you will drive them into the arms of the African National Congress (ANC).

The message was ignored by most of the voters at the Standerton and Schweizer-Reneke by-elections on Wednesday. Instead they voted the white supremacist Conservative Party candidates back into parliament with *sharply increased majorities.* It was the voters' response to the simple message from Dr Andries Treurnicht, the Conservative leader, that sharing power means losing power. *The consequences* of loss of power, he spelt out during the debate, would be to leave whites swamped, over-whelmed and over-powered by a black *majority. There could hardly* have been a more direct appeal to the "blood cells" – the gut feelings, tribal loyalties and fears of whites.

Psychologically the government's failure to stem the Conservative tide in the Transvaal is a major blow. But its 40 year tenure of power is still not really at risk. If repeated at a nationwide general election the swing away from the Government would still only result in the Conservatives gaining another 15 or so seats, and that would still leave the government with a majority of over 100.

So the Government has a substantial political cushion on which to rely. And it can also point to clear signs of an economic recovery. Somewhat to their surprise, key government and business figures find that they have defied the world, taken sanctions and disinvestment on the chin and emerged tougher, leaner and more determined than ever to do things their way. This transformation is not only a political fact in its own right; it is also the key to a new approach, now emerging in Pretoria, to dealing with the aspirations of the black community.

The most impressive index of the recovery is South Africa's transformed debt and balance of payments position. Dr Gerhard de Kock, Governor of the Reserve Bank and one of the architects of recovery, says he never thought the country could make such an impressive re-ajustment.

South Africans suffered an 11 per cent decline in real income between 1984 and 1987. But the sacrifices this involved – a major ingredient behind both violent black protest and the right-wing white revolt – meant that a large 1983 current account deficit was turned into surpluses ranging from 3.5 to 5 per cent of GDP for three consecutive years.

This allowed repayment of $5bn of the $24bn foreign debt, the doubling of gold and foreign currency reserves to R7.9 bn at the end of 1987 and the wholesale purchase of the assets of disinvesting foreign companies, including American multinationals from IBM to General Motors and the country's two biggest banks, Barclays and Standard. Not bad for a country supposed by the sanctions lobby to be vulnerable to economic pressure.

Governor de Kock draws a blunt moral. "Disinvestment and sanctions meant that we had no alternative. We had to get it right. *We also have no alternative but to keep getting it right* and ensure that we manage steady and sustainable growth. We know we will not be bailed out if we run into payments problems like Australia or many other debtor countries."

President P. W. Botha is attempting to shift the debate away from the stalemated field of political reform onto the more practical terrain of economics.

This "adjustment", says Dr de Kock, has laid the foundation for renewed economic expansion of at least 3 per cent this year and a revival of private fixed investment after six years of decline. Sustained growth, however, requires keeping a wary eye on the gold price and prompt action to raise interest rates at the first signs of a resurgence of inflation, still a worrying 14.2 per cent in January.

It is against this background that President P. W. Botha in his opening of parliament speech last month, attempted to shift the entire debate on South Africa's future away from the stalemated field of political reform onto the more practical and less rhetorical terrain of economics.

The conversion of the ruling party from Afrikaner national socialism to Thatcherite privatisation, smaller government and market forces is an event, or rather a process, of historic significance for South Africa.

President Botha, a tough nationalist politician of the old school, makes no secret of his belief that businessmen (particularly liberal English speakers) should stick to making money and leave broader political matters to the politicians. But he has proved more receptive to "constructive critisism", expressed discreetly and in private, from business "loyalists".

He appears to have taken to heart their warnings that the public sector has become too *bloated*, that excessive taxes are inhibiting growth and encouraging emigration of skilled people and that without faster growth South Africa will not be able to *afford broader political and social* reforms or cope with the rapidly rising black population.

The businessman with most influence on the President is *probably Dr Fred du Plessis*, a silver-haired giant of a man who chairs Sanlam, the giant Afrikaner financial and industrial holding group which employs around *450,000 people.*

Fred du Plessis argues that a decade of fast economic growth would not only defuse the urgency of black political *demands but create an infinitely* sounder base for real political power sharing in future.

He bases his argument on the fact that blacks, who make up *nearly three quarters of the population* and account for over 40 per cent of total purchasing power only own 2 per cent of the country's assets. Until blacks own more property, run their own companies and gain more economic clout, he argues, it is unrealistic to believe that they can impose any kind of political solution on whites who not only dominate the economy but also control the security forces and state patronage.

What is more, he argues, conceding political power without the economic basis to give it substance would only lead to the poverty and disillusionment which has followed what he calls the "irresponsibly rapid" European de-colonisation of the rest of the continent.

Integral to this process is the large and growing urban black population of around 12m people. Thousands of black township house tenants are already taking advantage of cut-price sales to buy their own homes.

Institutions like the private sector Urban Foundation and the South African Housing Trust, with R400m of government money matched by R800m from private industry, are building thousands of low cost homes. Building societies have been *reformed and are busy lending to* wealthier black customers. Once-squalid dormitory ghettoes are being "gentrified". With help from institutions like the Small Business Development Corporation (SBDC), thousands of fledgling black businessmen have received financial and other assistance.

Over the last five years the SBDC alone has provided 18,657 budding entrepreneurs, most of them blacks, with loans totalling R440m. It has led to the creation of 186,000 jobs at an average cost of around 2,500 rand per job. Another R150m rand has been spent on property developments in black townships like Vosloorus near Boksburg east of Johannesburg. Here the SBDC helped Mr Justice Radebe, for example, get better terms for the new supermarket he owns in the SBDC-financed white suburban-style shopping centre which now sits in the middle of the once bleak township. "The main thing is that money now stays and circulates within the black community. That's good. But still most of the building is being done by white firms. We must get black builders into the act fast," he says.

Mr Radebe, who started work as a tea boy 25 years ago, now turns over R500,000 a month and is a firm believer in the capitalist system and black socio-economic advancement as the key to a better future.

He is at the top of the pile. But there are thousands with more modest ambitions poised to take advantage of de-regulation and the dynamic informal sector springing up in townships around the country.

The basic aim of privatisation, accompanied by a virtual freeze on public sector pay, is to free *resources for the private sector*, finance black infrastructure development and provide funds for reduction of public debt and taxes. From the narrow, but not unimportant, National Party point of view, slimming down the public service will also whittle away a major electoral base of the Conservative Party opposition. At the same time, the Government is shifting the focus of the political debate on to economic issues where the Conservatives are most vulnerable to criticism. Their proposals for radical ethnic partition of the country are clearly unviable.

Greater emphasis on economic rather than ideological or political issues could also consolidate the Government's support amongst the Jewish, Portuguese and other communities whose backing is needed to compensate for the defection of poor Afrikaners.

The strategy in which economic realities dominate the process of political reform clearly faces two major obstacles: the threat of a right-wing backlash which was so starkly illustrated in Wednesday's by-elections and the marked failure so far to co-opt members of the black middle class into negotiations about a new political constitution.

The right-wing threat comes not only from the traditionally conservative rural *platteland* constituencies such as Schweizer and Standerton. The Conservative Party is also strong in working class white urban areas, as the forthcoming by-election at Randfontein near Johannesburg later this month will probably confirm.

But the second major obstacle in the path of the National Party is the continuing failure to win black political participation in *the negotiating process* accompanied by renewed hostility from the international community.

The recent decision to ban the activities and funding of extra-parliamentary groups, the detention and water-cannoning of clerical protestors, and the license given to uniformed bully boys of the paramilitary extreme right-wing AWB failed to impress white voters this week. They also brought South Africa back to the front pages of the world's press in a way which undermined the anti-sanctions attitude of Mrs Thatcher and other western leaders and reinforced the old hostile Boer stereotypes.

At the same time, Pretoria's efforts to get blacks involved the political process by giving them a role in a local government system based, as deputy finance minister Kent Durr puts it, "on rate paying black home-owners", are being undermined on two fronts.

The latest curbs are expected to make it more difficult to get black participation. Meanwhile, the Conservative Party is clearly winning support for its argument that such a policy is the thin end of a wedge which erodes white authority. The by-election results indicate that white right wingers could gain control of enough white local councils in the October municipal elections to wreck the Government's plans for multi-racial Regional Service Councils.

Doubtless Mr Botha still believes that economic realities will be the major factor in forging a new political dispensation for South Africa. But the combination of the ill-considered crackdown on anti-apartheid groups and the evident growth of the right wing has surely set the Government back.

OBSERVER

Wolfensohn's triumph

James Wolfensohn has pulled off some impressive acquistions for his clients in his time at Schroder, Salomon Brothers and, since 1981, his own firm. But nothing has gained him more publicity than his latest coup on his own account.

News that Paul Volcker was joining Wolfensohn's small, specialist firm offering strategic advice to some of the largest corporations in the world sent a wave of envy and grudging admiration down Wall Street. The former chairman of the Fed had been eagerly courted by the biggest firms on Wall Street. "Any conversation begins at $2m," a chief executive said last summer of the minimum salary Volcker could command in negotiations.

"In discussions over a couple of months, we realised we were very close on policy matters," *Wolfensohn said.* "Paul also wanted an opportunity to be in a smaller place where he would not be constantly on the road hustling for business."

Wolfensohn's style harks back to the old business of "building relationships." He helps the likes of Daimler-Benz, Hongkong and Shanghai Bank, Westpac and BHP develop their long-term strategies, identify targets and achieve them. "There's much more intellectual input than working on a single deal," he says. "We feel part of the family of our clients, not hired guns." With only 20 professional members of the firm, "we each have more influence and more fun."

Somebody who knows Wolfensohn well says he is very charismatic, a great charmer, but not all that easy to work for. "He has too big an ego to have a good sense of humour."

Steel the star

The launch of the Social and Liberal Democrats – billed as Britain's new major political party – in London yesterday was a dispiriting occasion for those who remembered earlier and happier days.

True, it poured with rain when the Social Democratic Party was launched on March 26 1981. Yet *at least* the world's press was there and there was an air of genuine excitement. Yesterday the impression was one of indescribable greyness, not helped by *the dirty yellow ochre the party* is using for its colour. Even the young men looked old.

Far and away the best of them was still David Steel, the man who decided *to bring the old Liberal Party* to an end. The pressure on him to stand for the leadership will be intense. What he keeps telling himself is that he must add four years to the 11 he was leader of the Liberals and imagine how he would look in 1991-92. That calculation tells him he should bow out, as I think he will. But he sometimes forgets.


"Oh yes, Mr Steel, he's terribly excited about the merger."

Scottish lights

The engineers who run British electricity generation have done badly at persuading the Government to privatise the industry their way. First Lord Marshall was outmanoeuvred by Cecil Parkinson, the Energy Secretary, over the future of the CEGB; now Malcolm Rifkind has defied Donald Miller, chairman of the South of Scotland Electricity Board, over the privatisation of electricity in Scotland.

In deciding to sell off the two Scottish electricity boards separately, the Scottish Secretary has rejected the proposal advanced by Miller that the Scottish electricity industry should be sold as a single unit, with a holding company controlling the two boards - the SSEB and the North of Scotland Hydro-Electric Board, which is less than a third of the SSEB's size.

Defying Donald Miller is not something people in Scotland do lightly. Some find him awe-inspiring, his encyclopaedic knowledge of the power industry and his iron convictions making him extremely difficult to argue with. But in conversation he is friendly, if a little stiff.

He infuriated Marshall - who might in other circumstances be an ally - by presenting the Sizewell inquiry with a devastating critique of the CEGB's desire for the pressurised water reactor and a strong advocacy of advanced gas-cooled reactors which he operates with success in Scotland.

On privatisation Miller was outpointed by Michael Joughin, non-executive chairman of the NSHEB, who is not an engineer at all but a former Fleet Air Arm pilot who went into farming and *then* became a leading figure in Scottish farming politics, with a bent towards the Conservative Party.

Joughin, who for a time presented a farming programme on Grampian TV, is an affable countryman. But with his advisers he persuaded the Government that the special role of the NSHEB in serving remote parts of the Highlands would be compromised under a holding company in which the SSEB would have preponderance. That struck a chord with a government loth to alienate any more Scottish voters.

Miller, meanwhile, had engaged in a battle to get British Coal's prices down by threatening to bring in imports. Both the SSEB and British Coal are awaiting a legal ruling on their dispute, which British Coal says threatens the disappearance of Scotland's last pits. Opening a second front in such a sensitive area left Miller without many public friends for his arguments on privatisation.

Biro at fifty

Hungary is marking the 50th anniversary this week of a world-shattering invention by a *prodigal son: Laszlo Biro's pen.*

Biro, a Budapest journalist, was intrigued by the way printers' ink dried so quickly and began tinkering with a revolving steel ball on a tube filled with ink paste.

In 1938 he applied for a patent in Hungary but because of his Jewish origins fled the country. He perfected the device in Argentina with his chemist brother, George and began producing the Biro pen in Buenos Aires in the early 1940s. Henry Martin, an Englishman living in South America, quickly realised the potential. In 1945 the New York department store Gimbel sold the first ball point pens at $12.50 apiece. By the end of the day the entire stock of 10,000 was gone.

The Parker Pen Company bought Biro's patent in 1948, and *that was it.*

Senior Engineering

The note about Roland Smith in Wednesday's Observer should have referred to him taking the chair at Senior Engineering in 1973 not 1976. The pre-tax profit figures of £2.2m were for 1973 and 1983 and not 1976 and 1986. In the latter year profits rose to £7.6.

POLITICS TODAY

A party in search of empathy

By Joe Rogaly

June 2088

IT IS NOW exactly 100 years since British schoolchildren were asked to write "empathy" answers to examination questions. As an example, take the history paper set for the General Certificate of Secondary Education. In an "empathy" answer the student was supposed to imagine herself/himself to be an historical figure. Thus nine years ago, on the 100th anniversary of continuous Conservative rule, a pupil might have been asked to imagine what it must have been like to be Countess Margaret Thatcher of Dulwich.

We missed that chance, but now the board of GCSE Examinations plc has accepted a proposal that empathy questions be permitted once more. In this first, experimental, year, only obscure political figures may be used. Here is a sample question:

Imagine you are one of the following – David Owen, Roy Jenkins, David Steel, Shirley Williams, Robert Maclennan; Robert Mugabe, Paddy Ashdown. What were your feelings on March 3rd, 1988? You may make sparing use of the database search and accumulation facilities on your keyboard. Extra marks will be given for imagination and flair.

September 2088

A selection of answers is given below:

● **Robert Mugabe**

I live in a very hot country. Although I am not a member of the Social and Liberal Democratic party, whose birth is announced in England today, my thoughts cannot be far away from London. I have to admit that I am sick with jealousy of the Prime Minister, Mrs Margaret Thatcher. After all, I have been heavily slagged off (*use slang checker program – Examiner*) all over the world for establishing a one-party state in Zimbabwe. Now I see that the opposition parties in Britain are behaving like sub-tribes of the Matabele after seven nights in the shebeens. The SLDP is opposed by the old Social Democratic Party under Dr David Owen and both are opposed by the Labour Party. None of them will ever amount to anything. So in Britain the Tories can enjoy all the benefits of one-party government without catching any of the disapproval that is flung at me. This smacks very much of racial discrimination.

● **David Owen**

I'll be fifty this summer. Even so, I could see from my picture on the cover of the Sunday Telegraph magazine this week that I am still very young-looking and handsome. (*Good archive searching – Examiner*). Debbie says that if I keep taking these light salad lunches and skip breakfast I'll keep my figure. Lean and strong, like the SDP under my leadership.

We just need a small group to run it. Thank heavens David Sainsbury is still helping us with finance. His family supermarket's food sales are a real boon. And Debbie and I are doing all right. Jeffrey Archer says all our money comes from his best-sellers, through the percentage to Debbie as literary agent. We should tell him we do better out of Delia Smith's cookery books.

That will be when the new SLDP is trying to do a deal with Labour and they all need us to get a majority in a hung Parliament. (*A quaint notion – Examiner*). Even if we only have 6 seats at the next election they might need us. Of course we will probably get many more. That's when we will come into our own.

For the SLDP is dying to do a deal with Labour. They'll fall for anything, just as David Steel did with the Lib-Lab pact under Callaghan.

When my – our – time comes I'll insist on PR. We must have a referendum on it, though. People can't get it into their heads that I really do believe in a multi-party system like they have on the Continent. You have to have PR for that. Only I can negotiate it, because only I will be able to make a deal with either side, Tory or Labour.

What if there isn't a hung Parliament? What if the Conservatives win again? Then there will surely be a realignment on the Left. Labour will have a proper defence policy – it has already come around on Europe. There will be a decent opposition. Even if just that is the outcome, it will not all have been in vain.

Yet I may have a larger role to play. Not as Prime Minister, even though people come up to me in the street and say that there are only two real leaders in this country and they want to shake the hand of one of them. No, my chances of that are virtually nil. But perhaps a high office of state, sometime . . .

● **Robert Maclennan**

Note to examiner: although my software at first agreed on this name, it does not compute. I can find no proper archives on it. The few historical references are all one line long and they do not make sense. They just repeat "I did my best" over and over again. I believe that this name was put in to catch us out. "Robert Maclennan" did not really exist as a political figure. So there cannot be empathy. (*Alpha plus – Examiner*)

● **Roy Jenkins**

I made a pretty good speech in the Lords yesterday. It pays to take care preparing these things. I couldn't help re-using that opening about "the power of the executive has increased, is increasing and ought to be diminished," but I thought I made the case well. The Lords is an agreeable place. Mind you, you shouldn't eat there. The dining room serves nursery food and the staff must qualify by long service in homes for geriatrics.

These past six months have been ghastly. I've become pretty disenchanted with politics, even though I've slogged on. I can't even rely on all my old friends in the Lords to run the new party. It took a lot out of me, appearing on the floor of the SDP merger conference in Sheffield the other day and getting a few hisses from some members of a party that would not have been founded but for me.

David Owen must have taken leave of his senses. If there was a slim chance for a new centre party when we were all united, there is almost no chance now. All he can be is a spoiler and I'm sure he'll be that. The Alliance would have done far better under my leadership in both 1983 and 1987. I've never been afraid to knock on doors for votes in even the most unpromising circumstances and I can lend a certain statesmanlike sweep, what we call "bottom" (*reference please – Examiner*) to whatever I do.

Still, I'll have at least as good a biography written about me as R.A. Butler. Home Secretary, Chancellor – one of the best everyone agrees – President of the European Commission, Chancellor of Oxford University. Probably a better Prime Minister who never was than R.A.B. when you think about it . . .

● **Paddy Ashdown**

I really must make a public announcement. Once I've done that there can be no turning back. I'll have to stand for leader of the Democrats, as I hope the SLDP will be called. I'll have to stand against David Steel if he doesn't step down. If I don't, that's it. There won't be another chance. Everyone will say I funked it this time. It's all come a bit soon for me. I wish I could be certain.

David may decide to have another go. He's better than I am in Parliament. He is in fact very good on the floor of the House. I have yet to get the hang of that funny mix between making an oratorical declamation and carrying on a conversation. (The Tories give me an exceptionally hard time. Someone has suggested that they regard me as a class traitor. Perhaps they find it mildly offensive that an ex-service officer with quite a glamorous track record should not be one of them.) David's also a better political strategist than I am, understands the broad picture. I am a bit too impetuous and not as good as he is on TV.

Mind you, I am an enthusiast. I love ideas and the clash between them. I'm a workaholic. I know we need to modernise the party; the Liberals on their own were chaotic and inefficient. We must use the skills and the mailshot techniques of the SDP now that we're together. It will take us at least a full year of tough hard work to get back on the agenda of politics. There'd be the loss of privacy if I were leader and I really wouldn't like that.

I know what our strategy must be. We must fight David Owen tooth and nail, starting with the local council elections in May. He is far, far too good for us to give him any room. We cannot have an alliance of expediency with Labour. People would see through that. The real realignment on the centre-left or left must come from a new set of alliances. Labour under Kinnock and Gould are trying to modernise their ideas, but I doubt whether they'll get their party beyond 1970's thinking. We need 1990's thinking now. So my view of the Thatcher revolution is closer to David Owen's than David Steel's.

Yes, I can certainly make a major contribution. I'll have to come out with my decision quite soon . . .

● **David Steel**

I want to stand again, but I don't see how I can. There's sure to be a contest, and even if I won it would be a dreadful experience. And what then? Further years of hopeless politicking. I've given more than ten years' service now. It's been pretty successful. We've probably dealt a death-blow to the old Labour Party. New people have come in via the SDP. The new party has a better constitution and a better organisation than the old Liberal party.

We have 3,600 local councillors and 19 MPs. It's true that our standing in the Gallup poll, at 12½ per cent for the outgoing Alliance, is about the same as the 13 per cent for the Liberal Party when I took over, but it's not bad for the beginning of a Parliament. We'll recover quickly now that the dramas of the last six months are behind us. There are more "don't knows" now; they are sure to come back.

No, it's better to go now. Become an elder statesman, like Jo Grimond. Then again, we might do well in the May local elections. People might ask me to stay on . . .

● **Shirley Williams**

This answer has been disqualified, owing to late arrival – Examiner.

Lombard

A valuation conundrum

By John Plender

WHAT IS the Rover Group really worth? It sounds an innocent question, and it will be discussed with great earnestness over the next month or two both in the press and behind closed doors. But since Britain's biggest domestically-owned car manufacturer operates under the shadow of Whitehall, the conundrum cannot be unravelled exclusively by reference to synergy, business prospects and financial terms. The real question is: what is it worth to whom?

To start at the Alice in Wonderland end of the spectrum, Austin Rover is clearly worth much more to the small shareholders, who own a fraction of 1 per cent of the share capital, than to anyone else. After the 22 per cent rise in the share price in response to news of the British Aerospace approach on Tuesday, the group was valued in the stock market at £4.5bn.

This reflects what academics might dub the irrational expectations school of market behaviour; and Professor Roland Smith, the BAe chairman, will doubtless treat it with due disrespect. But before seeking to chop that £4.5bn down to size in negotiations with Mr Graham Day, Rover's chairman, Professor Smith will no doubt weigh the political cost of squeezing 60,000 private shareholders until the pips squeak.

Back in the real world the group ought notionally to be worth more to competitors such as the Ford Motor Company than to anyone else. But the political cost to the Government of selling to a foreigner has already been shown, in the post-Westland, pre-election period, to be painful. So – on the assumption that privatisation is a non-starter in the present Parliament – that leaves the current option of the independent, British, non-motor industry bidder.

Given that Rover is only now creeping back into profit at the peak of a boom, and carries accumulated losses in the balance sheet of £2.6bn, such a buyer might plausibly argue that the Government should pay the purchaser to take the firm off its hands, with the price suitably disguised by a pre-sale capital reconstruction – especially since Rover has been a personal political liability for Mrs Thatcher, as well as a financial drain. (It was alleged, at the time of the Ford approach, that she wished to be shot of Rover at any cost.) The gentlemen from BAe know, then, that it is worth even less to Mrs Thatcher than it is to them. This seems to leave BAe in an outrageously healthy negotiating position *vis à vis* the notional owner: the taxpayer.

This brings us to perhaps the most intriguing valuation dilemma of all. What would BAe be worth if it succeeded in its offer for the beleaguered car manufacturer? In marking the shares down earlier this week, the stock market passed a damning verdict on the supposed logic of the merger. But if the aerospace company provides a solution to Mrs Thatcher's biggest problem, the market might ultimately conclude that one favour deserves another.

For British Aerospace is not so much an independent bidder as living proof that there is no escape, even after privatisation, from the mixed economy and the corporate state. In military aircraft manufacture and in civil projects such as Airbus, it remains heavily dependent on the Government.

Under the Wilson and Callaghan governments, the impression grew among industrialists that financially inexpensive rescues of ailing firms in marginal constituencies might yield lucrative payoffs such as discretionary Industry Act grants and freedom from monopolies references. Under Mrs Thatcher's government, will the stock market now conclude that it should put a higher valuation multiple on BAe's government subsidies because henceforth they carry a new political seal of approval?

Who knows, because the political dimension of such negotiations rarely emerges in public. But one of the many lessons of the Rover Group's past history is surely that economic reality has a nasty way of catching up with a political quid pro quo in the end.

Letters to the Editor

Credit where credit is due

From Mr Neil Fletcher.

Sir, I am delighted to read (February 29) that Mr Norman Fowler, the Secretary of State for Employment, is actively considering backing the establishment of compacts between schools and industry – similar to that which has been operating in Boston since 1982 – in Britain's inner cities.

It is somewhat disappointing, however, that there is little acknowledgement of where Compact is being pioneered in this country. In 1986, the Inner London Education Authority (ILEA) and the London Enterprise Agency set up the London Education Business Partnership, which developed the London Compact launched by Prince Charles in 1987.

Mr Fowler's colleague, Mr Kenneth Baker, welcomed the initiative at the time. At the moment, four ILEA schools in east London are taking part, with guaranteed jobs for 300 school leavers due in the summer. Other schools come on stream then – and discussions are well under way to extend the scheme to other parts of inner London. The partnership has helped Sheffield and Birmingham councils in discussing similar schemes in their cities.

I am sure the Secretary of State would want to give credit where credit is due for such an imaginative scheme offering hope to inner city school leavers.

Neil Fletcher,
Inner London Education Authority,
The County Hall, SE1

More theology than realism

From Sir William Lithgow.

Sir, Will Mr Cecil Parkinson, the Energy Secretary, be using the same team of parliamentary draftsmen as drew up the 1983 Energy Act? Will Mrs Thatcher's government pay any attention if promises of benefits to those connected to the national network are not met? Is the 1983 Act going to be used by the newly privatised English electricity boards, as and when they acquire their own power stations, to suppress the independent generator?

Private power generation was promised a new deal under the 1983 Energy Act; the area boards were required to take supplies at a price that matched alternatives available to them. But it seems the drafting of the Act was bungled.

In Scotland area boards have their own generating capacity – unlike south of the border, where supplies are bought from the Central Electricity Generating Board (CEGB). But if power cuts are to be avoided, electricity supply systems must have surplus capacity; the Scottish utilities have such a surplus.

The North of Scotland Hydro Electric Board, which I supply, has successfully argued to the Secretary of State for Scotland that it should cut the payment to private generators to the notional cost of fuel burn in standby thermal stations; no allowance is made for wear and tear or depreciation. Their tariff, based on the national CEGB inter-board price, was abandoned after a couple of years.

As a result we now receive from the area monopoly an average of 65 per cent less per unit than the average south of the border. Despite the integrity of our private hydro station being better than the local public networks, we pay a capacity charge but receive no payment for the capacity we provide to the national system.

The Scottish Secretary's response to this anomalous situation – which he approved under statute but which negates the promises made to Parliament – was to dish up a meaningless mandarin muesli: "...private generation should neither be subsidised nor discriminated against although it must, of course, itself be economic in order to compete effectively."

A good lawyer seemingly has as little grasp of economics as he has of engineering. When marginal costing is substituted for average costs, disaster is round the corner. Has there been more theology than realism in determining national power policies?

William Lithgow,
PO Box 7,
Lochgilphead,
Argyllshire,
Scotland

Violence on the small screen

From Mr Frank Johnson.

Sir, Christopher Dunkley's proposition (February 24) that screen violence is not corrupting probably holds true for the great majority of viewers. Undeniably, however, a small element "needs, wants and likes being violent" and may be further influenced towards it by screen violence.

Frank Johnson,
9 Hazely,
Tring, Hertfordshire

From Mr Peter Davey.

Sir, I have frequently thought that your television critic wrote with a left-wing bias, but a statement he makes (February 24) is patently untrue and should not be left to stand uncorrected.

He writes: "Since time out of mind our politicians have been saying to foreigners 'Do what I say or I will send a task force to kill you' and the present Prime Minister takes precisely the same line."

Should not Mr Dunkley be asked to withdraw this remark?

Peter Davey,
97 Fort Picklecombe,
Torpoint, Cornwall.

Butchered in print

From Mr Stewart Vaughan.

Sir, Has Michael Coveney (Arts page, February 27) got something against the French? The acting at Ariane Mnouchkine's Cartoucherie – *not* "Charcuterie" – is anything but ham.

Stewart Vaughan,
Theatre de la Michodière,
4 bis, Rue de la Michodière,
75002 Paris, France.

The Treasury is interested in the effect of tax rates on work effort

From Mr Andrew Dilnot and Mr Michael Kell.

Sir, Mr Alan Reynolds (Letters, March 1) casts doubt on an Institute for Fiscal Studies (IFS) suggestion recently quoted in your paper by Michael Prowse that "there is little evidence either to support or refute the view that lowering tax rates would improve economic performance."

Her Majesty's Treasury is one body obviously interested in the question of the effect of tax rates on work effort. In an attempt to measure any incentive effects they commissioned a large scale study by Professor C.V. Brown of Stirling University. The study failed to discern any substantial impact of changes in net wage rates on work effort for the great bulk of the population.

Mr Reynolds uses the UK as an example of a country where tax rates have been cut. While it is the case that the basic rate of income tax has fallen since 1979, this has been at the cost of increasing other taxes: the overall burden of tax and social security payments has in fact risen from 37.2 per cent of GDP in 1978-79 to 40.8 per cent estimated for 1987-88. Work at the IFS on calculating the effective *marginal* tax rate faced by basic rate taxpayers – accounting for all direct, indirect and corporate taxes – confirms that marginal tax rates have risen from their 1978-79 level of 58.3 per cent peaking at 61.1 per cent in 1982-83. Before the 1987 Budget, the effective marginal tax rate was still higher than in 1978-79. This picture of higher marginal tax rates for the vast majority of the population is not consistent with Mr Reynolds's implied assertion that economic growth is because of cuts in tax rates.

Furthermore, it is difficult to accept his assertion that typical marginal tax rates in the UK are notably higher than those of our competitors. His estimated marginal tax rate of 32 per cent in Germany is puzzling, given an average tax rate of 45.6 per cent as calculated by the OECD. Similarly, the "typical" marginal tax rates Mr Reynolds estimates for France, the US and Switzerland are all lower than the OECD's average tax rate figures.

Finally, Mr Reynolds quotes the familiar evidence that "when the UK last cut higher tax rates, the share of income tax paid by the most affluent 5 per cent of taxpayers increased from 23.4 per cent in 1979-80 to 26.7 per cent in 1985-86".

Our detailed research into this question has yet to be completed, but it is already obvious that many factors affect the share of income tax revenues paid by the rich. Increases in the real value of tax thresholds since 1979 have lowered the tax burden at the bottom of the income distribution; the rise in unemployment has increased the numbers below the threshold.

At the other end of the income distribution we have witnessed rapid growth in earnings and investment income; the remaining contribution from cuts in higher rates is unclear.

There are arguments for further cuts in higher rates, not least that they would reduce the scope for tax avoidance and the incentive to tax evasion. Although the evidence on incentives to work effort is ambiguous, the theory is quite clear: if the Chancellor wants to encourage extra effort he should cut marginal rates while holding up the average rate of tax on this group, perhaps by restricting the value of allowances and mortgage interest relief to the basic rate. The case for higher rate reduction is not helped by exaggerated claims of its impact on the economy.

Andrew Dilnot,
Michael Kell,
Institute for Fiscal Studies,
180-182 Tottenham Court Road, W1

FINANCIAL TIMES
Friday March 4 1988

Financial Times Friday March 4 1988

Tim Coone talks to the man who could hold the key to Argentina's economic future

Charting the course to stability

Plugged in: Terragno as seen by Italian cartoonist Sabat

Rodolfo Terragno, as Minister of Public Works and Services, is at the helm of one of Latin America's mightiest enterprises embracing all key industries in Argentina

THERE is one man in Argentina, possibly more than any other, whose success or failure in the near future will determine whether his country will finally be able to shed the curse of chronic inflation and get back on the road to steady economic growth and stability.

Dr Rodolfo Terragno has been at the helm of one of Latin America's mightiest enterprises since last September.

As Minister of Public Works and Services (MOPS), the empire under his control embraces all the key industries in Argentina – oil and gas production, hydro-electricity supplies, transport, telecommunications, shipbuilding, ports, water and petrochemicals, just to name the most important.

It is not an empire which has flourished with wealth and opportunity, however. On the contrary, last year it was responsible for just over half of the entire government fiscal deficit.

In the words of Mr Terragno, "it is a financial hemorrhage that sterilises resources and does not even fulfil the purpose of having a state sector. It does not accumulate capital, but consumes it."

The new letter of intent being presented by Argentina to the International Monetary Fund this week has as one of its targets a reduction of the fiscal deficit from 7.5 per cent of Gross Domestic Profit (GDP) last year to 2.5 per cent this year.

A major reorganisation in the state sector involving privatisations, tight financial controls, management shake-ups and an end to Treasury support, is the lynchpin of the new plan and it falls to Mr Terragno to implement it.

"The unconditional financial support given by the central government to the state-run companies is one of the origins of hyperinflation in Argentina," said Mr Terragno.

Last year, the companies under MOPS ran up a $2.5bn deficit which had to be financed from the Treasury. "This year we are reducing spending by $500m and it is our intention to have a zero deficit," he said.

The surprise announcement at the beginning of the month of the intention to sell 40 per cent of Aerolineas Argentina to the Scandanavian airline, SAS, is one of the first steps of that overall strategy and is likely to be followed shortly by an announcement that a minority holding in ELMA, the large state-run shipping company, is also to be sold to the private sector. Several other companies are also earmarked for privatisation.

As part of the financial restructuring, $1.1bn in annual interest payments on the state enterprises' debt are to be taken over by the central government, in exchange for an end to Treasury subsidies.

Meanwhile, all the companies are now being subjected to rigorous financial controls. "Many of them have never previously produced annual trading accounts," said Mr Terragno. "Ferrocarriles Argentinos (the railways) for instance, do not even have an inventory of stocks."

He said that this will all to be changed this year and managers who failed to come up to standard would be replaced.

The power of hiring and firing managers was returned to the MOPS, as one of Mr Terragno's first acts after taking office. Previously an inter-ministerial committee and, in the last instance the President, appointed state company managers.

He said that MOPS had also won back control over public services tariff policy, which was formerly under Ministry of Economy control and tended to be managed with an eye on the inflation figures rather than the state companies' financial health.

Together with a fund to be established from certain taxes derived from the state sector, Mr Terragno believes these measures will be sufficient to run a zero deficit this year.

"It is going to be a shock to the sector and it is going to be very difficult, but it is the only way, otherwise no targets will be respected."

The satirical press has dubbed Mr Terragno "E.T." (Extra-Terragno) for his sudden ascent to one of the most important ministerial posts in Argentina, from relative political obscurity.

Now in his mid-40s, a lawyer by training, journalist and publisher by vocation, he was exiled to Venezuela in 1976, where he became an advisor on international affairs to the social-democrat government of Carlos Andres Perez.

He later wrote a thesis on political philosophy at the London School of Economics and went on to purchase the London-based Latin America Newsletters (in which he is still a shareholder). He immediately went into a direct confrontation with journalists and printers which resulted in a year-long strike.

His tough management style does not make him a crusader for free markets and privatisations, however. "Privatisation is just one of several mechanisms to make the state sector more efficient, it is not an end in itself," he said. "Technologically obsolete companies with little goodwill such as Ferrocarriles cannot possibly be privatised."

Mr Terragno maintains that the role of the state is very important and is indispensable in a policy geared towards development. "I am not a supporter of free market policies, nor of a passive state. On the other hand, the present state sector does not even serve the purposes for which it was created," he said.

A book he published in 1985 is now reaching the 100,000-sales mark and its 13th edition – something of a record in Argentina.

The book is a modest 180-page treatise of proposals for revitalising Argentina through the rapid incorporation of science and technology into Argentine culture, which he says has been sorely lacking.

"It has been largely responsible for the sudden advance in my political career," he said of the book. Significantly perhaps, it is titled "Argentina in the 21st century."

ARGENTINE PUBLIC SECTOR ENTERPRISES

	Employees	Foreign debt	Turnover	Treasury support
	(1987)	($m 1986)	($m 1985)	($m 1985)
Gas del estado	9,395	1,878	1,115	257
Ypf (oil)	32,487	4,554	4,190	2
Segba (electricity)	3,647	717	786	144
Entel (telecom)	46,438	656	680	0
Aerolineas Arg	10,446	841	582	59
Agua y energia	11,153	2,201	595	407
Ferrocarriles	97,935	1,197	335	758
Elma (shipping)	5,477	552	211	0

Notes: Dates are year-end figures except for employees, which is 31/3/87
In columns 3 and 4 the exchange rate used is Aus 1.07 per $1
Sources: Sindicatura General de Empresas Publicas, Latin American Economic Research Foundation

BAT steps up bid for Farmers Group to $63 a share

BY NICK BUNKER IN LONDON

BAT INDUSTRIES of the UK, the world's biggest private-sector tobacco company, yesterday stepped up its bid for Farmers Group, the US insurer, by making a tender offer to buy the company for $63 a share.

BAT said the offer valued Los Angeles-based Farmers Group at about $4.5bn.

In its first public takeover approach to Farmers six weeks ago, BAT named a price of $60 a share, but has waited until now to turn the proposal into a formal offer to the Californian company's shareholders.

BAT said it was filing applications for approval to buy Farmers with insurance regulatory authorities in the nine states where Farmers Group companies are based.

The announcement marked the end of a period of conflict between the two groups since BAT first announced it wanted to buy Farmers, whose main business is managing motor and household insurance.

Farmers has repeatedly declined BAT's proposal to buy it as the start of the British company's long-awaited move into US insurance and financial services.

Mr Patrick Sheehy, BAT's chairman, said BAT had now decided to take its terms direct to the Los Angeles company's shareholders "because the board of Farmers has regrettably refused to talk to us so far, despite our repeated invitations."

The tender offer is conditional on BAT receiving approval from state insurance commissioners and gaining acceptances from at least 51 per cent of Farmers Group's shareholders.

The offer expires on March 30, but BAT said this was expected to be extended until regulatory approvals were obtained.

Mr Sheehy stressed that BAT was keen to proceed by friendly negotiation if possible.

Asked to comment on arguments by Farmers that BAT could add nothing to its management, Mr Brian Garraway, BAT deputy chairman, said: "We believe that with the impetus we could give them, we would open up new opportunities for growth."

Stockbrokers' analysts received the news of the tender offer favourably in London, where BAT's shares had gained 15p to 462p by mid-afternoon. They pointed out that BAT's financial strength was such that it could easily fund a $63 per share acquisition.

BAT said that if the deal was completed at $63 a share, BAT's net debt-equity ratio would still be unlikely to exceed 70 per cent.

THE LEX COLUMN

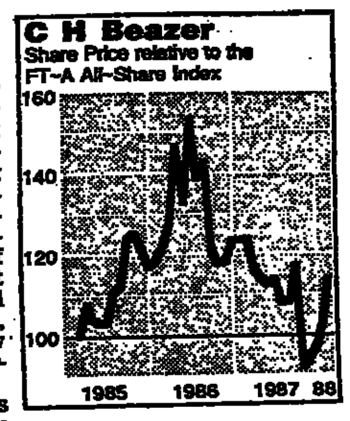
Beazer forces the pace

Beazer's $1.3bn bid for Koppers of the US looks like final evidence, if it were needed, that the crash never happened. It has all the features to bring a tear to the corporate financier's eye, junk bonds, off-balance sheet financing and a touch of asset-stripping thrown in. As it happens, it coincided with yesterday's publication of new accounting rules proposing to outlaw the kind of off-balance sheet treatment Beazer proposes; but they will take at least a year to implement, by which time Koppers' cash flow should have made Beazer's gearing more presentable.

To be fair, the proposal looks industrially sound enough. The aggregates business produces the cash flow Beazer needs to fund its housebuilding side, and there is evidently a shortage of gravel pits for sale in the UK. In proposing to merge with the second biggest aggregates company in the US, Beazer is going further into a business it entered with the purchase of Gifford-Hill in 1986. Indeed, the geographical and industrial fit may well stir the interest of the anti-trust authorities.

It looks unlikely, though, that Koppers is to be had at this price. The offered multiple of 15.5 times looks modest, and although the $45 a share bid is some $12 above Koppers' price three weeks ago, yesterday's rise to over $51 pointed at least to arbitrage activity, if not a counter-bid. But then, Beazer has shown itself willing to take a profit in the past, and the 2.1m Koppers shares it bought at $88 each might produce a consolation prize.

Meanwhile, yesterday's 7 per cent fall in Beazer's share price shows the London market understandably struggling to keep up. This is, after all, the company which paid for the Gifford-Hill purchase with a flopped rights issue 18 months ago, and six months later had to scale down a US share issue in the face of institutional protest. The choice of the off-balance sheet route shows further signs of forcing the pace; even if Koppers' assets were written up from their present $500m or so towards the purchase price, as Beazer proposes, gearing on a fully consolidated basis would be 100 per cent.



The structure of the deal looks an ideal test case for ED 42, the draft standard produced yesterday by the Accounting Standards Committee. What is proposed is a non-controlled subsidiary, of the type pioneered by Jefferson Smurfit and Morgan Stanley in the $1.1bn purchase of Container Corp in 1986. Though the subsidiary does not have recourse to the parent in the first instance, the fact that the banks can eventually force Beazer to buy them out means that Beazer's shareholders cop the lot if the deal goes wrong. In such cases, says the ASC, the deal should be fully consolidated straight away; and very right, too.

RTZ

RTZ's offer of 17 times earnings for a doorbell and plug maker in December seemed expensive. But against yesterday's disposal of its cement business at a similar price and a similar multiple, MK Electric was a snip. Even though the Scandinavian buyers are clearly anticipating much better profits once the kiln at Ketton stops misbehaving, the seller still seems to have the best of it.

Strategically the move looks sound for RTZ, which has been feeling increasingly trapped in cement. Once it had constructed a good business from the original rag-bag of cement companies, it had nowhere to go, either by increasing its share of the cement market or by a vertical move – which would have wrecked the unspoken agreement between the big three producers. RTZ could, of course, have gone on milking the company for cash, although the option must have seemed unattractive when the proceeds of the sale promised to yield more on deposit. It also seems a good time for RTZ to move on from cement; for the first year since the early 1970s demand in the UK may exceed capacity, so the top of the market cannot be far off. But while making a good sale when approached by eager buyers is easy, deploying the money equally well is something else.

BAT/Farmers

In raising its price and making a firm offer for Farmers, BAT has evidently decided that after a waiting game of seven weeks it is time to shake the tree. The offer need not be final by any means: by BAT's own account, it would produce no dilution in this year's earnings, and as the rise in the BAT share price suggested again yesterday, there is reason to suppose that BAT shareholders are keen enough on the deal to go along with a price which only produced break-even a year or so out.

Farmers' price, on the other hand, merely moved obediently in line with the offer yesterday to $63. There is an eerie calm about the whole stalking game quite at odds with its proportions. It is possible that with a firm offer at last on the table Farmers may look about for a white knight, but anyone contemplating a deal on this scale might well consider letting BAT go further in the pricing game before making a move. And with six months of regulatory procedures still to go, there is little incentive for the arbitrageurs to show their hand yet either.

Shell

Shell has yet again shown the benefits of stability and diversity in a sticky year for oil markets. But while one can only respect the numbers in aggregate, their composition is not altogether reassuring. The surprisingly strong fourth quarter performance owed more to disposal profits and an unexpectedly small exploration write-off – a largely arbitrary number – than to any sign that the markets have improved.

Indeed, as far as the present year is concerned, the reverse may be true. Lower oil prices will mean lower upstream profits, not matched by windfall gains downstream, so that Shell may struggle to match last year's performance overall. While the company is right to reassure itself that the latest fall in the oil price is no repeat of 1986, its downstream division must wish the two periods did have more in common. Then it was crude prices which led product prices down, now it is the other way round. Meanwhile, the embarrassing public withdrawal of Formula Shell, which has smudged Shell's image as the best of the oil marketers, will do corresponding damage to the bottom line.

Nato heads stress need for strong defence

Continued from Page 1

Even those Nato countries which support her view, however, are prepared to side-step the issue for the moment and accept a vaguer formula, first adopted at the Reykjavik Nato council meeting last summer to placate the West Germans.

Under that formula, negotiations on reducing battlefield nuclear weapons to equal ceilings would take place "in conjunction" with talks on conventional and chemical weapons.

Mrs Thatcher, who, over the past few weeks, has been warning her Nato partners against dropping their guard in the face of the Soviet military build-up in Europe, yesterday tried to dispel the impression that she was adopting too negative an attitude towards Mr Gorbachev.

Asked about the rising tide of nationalist unrest inside the Soviet Union, the Prime Minister said it was inevitable that Mr Gorbachev would face difficulties at the beginning of his democratisation programme.

Acknowledging the possibility that the Soviet Union could undergo a period of dangerous instability, she said that "if it (the Soviet Union) does fall apart and there are problems in the satellite countries, at least our defence is sure."

Ruling party in South Africa agonises over election setback

BY ANTHONY ROBINSON IN JOHANNESBURG

THE FAILURE of South Africa's ruling National Party to win back the Conservative-held by-election seats of Standerton and Schweizer-Reneke led to an agonised post-mortem by the party caucus yesterday.

The Conservative Party increased its majority in both seats, dashing government hopes that support for the right-wing party had peaked. The result was also a personal blow for Mr F.W. de Klerk, the Transvaal National Party boss.

His chances of eventually succeeding President P.W. Botha have been weakened both by his party's poor showing and the electorate's response to Monday's televised debate with Dr Andries Treurnicht, the Conservative Party leader.

The lengthy parliamentary caucus meeting is understood to have been stormy. Apart from recrimination over the election results, several cabinet members who were not consulted about last week's ban on 17 extra-parliamentary opposition groups voiced their anger at exclusion from a decision which has badly damaged South Africa's image abroad and could lead to renewed sanctions pressure.

While defeat reopened divisions between reformist (*verligtes*) and conservative (*verkramptes*) elements within the National Party, victory led to jubilation in the ranks of the Conservative Party and its paramilitary Afrikaner Resistance Movement allies.

The Conservative Party managed to quadruple its May general election majority in Standerton where it polled 9,078 votes to the National Party's 6,224, a majority of 2,854 compared to 952 in May.

In Schweizer-Reneke, Dr Piet Mulder, the Conservative Party candidate and son of veteran former National Party leader, Dr Connie Mulder, polled 6,400 votes to the National Party's 5,606, a majority of 794 votes compared to 191 in May.

Part of the Conservative Party gain was at the expense of the even further right-wing Herstigte Nasionale Party, whose veteran leader, Mr Jaap Marais, lost his deposit at Schweizer – as did Mr Attie Treurnicht, the Conservative Party leader's brother, in Standerton.

The Herstigte Nasionale Party, which broke away from the National Party in 1969, is now expected to disappear.

The Conservative Party victories make it a firm favourite for the third by-election at Randfontein, in the outer Johannesburg suburbs, later this month and enhance its chances of sweeping gains in the municipal elections in October.

Economy in evolution, Page 16

Second time round for UK party

Continued from Page 1

"I don't think the electorate is going to see very much difference – there were four political parties before this fiasco started," Dr Owen said on television.

Mr Steel dismissed the Owenites as a "fan club with rich backers."

Mr Steel, the bookmakers' favourite to become the SLD's first leader, started the painful unification process after a Liberal/Social Democrat alliance fared poorly in last June's general election.

Local government elections on May 5, when SLD candidates will have to defend about 440 council seats, will be the first serious test for the new party. After eight months of wrangling, which split the Social Democrats, poor opinion poll showings and a disappointing turnout in the membership ballots, the SLD faces an uphill battle to win voters' support.

A choice of leader is not expected before summer and may be postponed until after the first SLD party conference in September.

Shultz hints at Panama action

BY LIONEL BARBER IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, yesterday added his weight to growing pressure within the Reagan Administration for economic sanctions against the Panama regime of military strongman General Manuel Noriega.

Mr Shultz said in Brussels that President Reagan was studying options, including freezing Panamanian assets in the US, in an effort to break Gen Noriega's grip on power.

President Reagan – also speaking in Brussels at the end of the two-day Nato summit – was asked if he thought Gen Noriega should step down. "Yes," he said, without elaborating.

Mr Shultz said the US was looking at ways to restrict the flow of money into the Panamanian government treasury. His comments confirmed the thrust of comments by a senior US State Department official, Mr Elliott Abrams, on Wednesday night, without being so explicit.

Mr Abrams said during a television interview that the US would withhold payments to the Noriega regime due from the operation of the Panama Canal.

Instead, these payments would be made available to ousted President Eric Arturo Delvalle, whom the US regards as the legitimate head of state in Panama. He also said he would back a campaign by the Panamanian opposition – led by Mr Delvalle – to freeze Panamanian assets in the US.

In Panama, Gen Noriega brushed aside the US threats

WORLD WEATHER

City		°C	°F
Malta	[illegible]	[illegible]	[illegible]
Manchester	[illegible]	[illegible]	[illegible]
Manila	[illegible]	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Moscow	[illegible]	[illegible]	[illegible]
Munich	[illegible]	[illegible]	[illegible]
Nairobi	[illegible]	[illegible]	[illegible]
Naples	[illegible]	[illegible]	[illegible]
Nassau	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	[illegible]
Oporto	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
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Prague	[illegible]	[illegible]	[illegible]
Reykjavik	[illegible]	[illegible]	[illegible]
Rhodes	[illegible]	[illegible]	[illegible]
Rio de J'o	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]
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Singapore	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Strasbourg	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]
Taipei	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Toronto	[illegible]	[illegible]	[illegible]
Tunis	[illegible]	[illegible]	[illegible]
Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday

La Générale lull possible

terday by Mr Maurice Lippens, managing director of AG, Mr Patrick Ponsolle, managing director of Suez and Viscount Etienne Davignon, a director of La Générale and the company's main spokesman, is that Mr De Benedetti should now negotiate on the basis of being a minority shareholder.

Cerus meanwhile, has questioned whether the Franco-Belgian camp really holds 52 per cent. Nonetheless, it appears also to feel that legal uncertainty created by this week's court decision could be prolonged by either side for several months, if not years.

The uncertainty centres on the question of whether Mr Andre Leysen, the Flemish businessman who earlier this week dramatically threw in his lot with Mr De Benedetti, still has first option to subscribe for 10m of the 12m authorised shares whose issue was unblocked by the court decision.

The feeling in Brussels last night was that Cerus would be prepared to accept a "standstill" agreement with Suez as a prelude to negotiations over a new strategy for La Générale.

Shultz hopeful on Mideast

Continued from Page 1

convinced that the Palestine Liberation Organisation must have a role in peace talks.

On this critical issue, Mr Shulz said earlier yesterday that the US wanted "a broader and better dialogue" with Palestinians in order to acheive a settlement. But Washington still ruled out any dealings with the PLO until it accepted UN resolutions recognising Israel's right to exist, he told reporters before flying to London from Brussels where he received the go-ahead from President Reagan to continue the initiative.

Battle for Federated tips in favour of Campeau

BY JAMES BUCHAN IN NEW YORK

THE SEE-SAW struggle for control of Federated Department Stores, the largest US department store group, yesterday tipped back in the favour of Campeau of Canada. Professional Wall Street traders – arbitageurs – they favoured the Toronto groups $6bn two-stage cash offer over the cash-and-securities deal with R.H. Macy approved by Federateds board.

But these arbitrageurs, who represent a group believed to own nearly a quarter of Federated's stock, said anything could happen in the contest, which has turned into one of the most complex and fierce takeover battles in recent Wall Street history.

Mr Robert Campeau, chairman of the Toronto property and retailing group, yesterday added to the growing acrimony of the struggle with a sharp attack on Wednesday's agreement between Federated and Macy's, the New York department store. In a letter to Mr Edward Finkelstein, Macy's chairman, Mr Campeau warned that he would sue to overturn a "blatantly unlawful" arrangement

Robert Campeau: to challenge break-up of Federated

which promises Macy's $45m in "break-up fees" if the merger fails.

Arbitrageurs said yesterday that Campeau, which has been pursuing Federated for more than a month, had the initiative in time and its two-tier offer could pressure stockholders to sell early.

In a rapid response to the Macy-Federated agreement, Campeau late on Wednesday raised its bid to $75 a share for 80 per cent of the Cincinnati group and $44 for the remainder, for a blended value of $68.

Macys, a private New York-based group, is offering $74.50 a share for the key 80 per cent which is the level needed for a merger under the laws of Delaware, where Federated is incorporated.

In addition, it is offering shares in the future combined company, which Wall Street believes makes its offer broadly competitive.

Arbitrageurs say the key point is that Campeau's bid closes on March 15, whereas Macy's has yet to launch its offer, and then must keep it open for 20 business days.

"Say I want to wait to tender to Macys," said one arb. "My problem is that if I do not tender to Campeau, but others do and he gets 51 per cent, I can only get $44 instead of $75 for my shares."

The Campeau $75 offer is for a minimum of 51 per cent and a maximum of 80 per cent.

Forstmann willing to top $883m AFG bid

By Roderick Oram in New York

FORSTMANN LITTLE, a New York leveraged buyout specialist, said it was willing to top the $83-a-share offer for AFG made by an investor group led by Mr Ron Hubbard, chairman of the US flat-glass producer.

Shares of AFG, which Mr Hubbard created in the late 1970s by merging two failing glassmakers, leapt $4½ to $86¾ in heavy early trading yesterday. His $883m offer for 94 per cent of its stock, made last week, would be financed by Drexel Burnham Lambert, pioneer of low-grade junk bonds.

Forstmann Little has written to AFG's board saying the exact price it would be prepared to pay would depend on the information AFG supplied in a prompt fashion and on subsequent negotiations. It was prepared to let AFG's management participate in the deal by taking an equity stake.

The Irvine, California-based company, which earned net profits of $44.5m on sales of $488.4m last year, had no immediate response to the proposal.

CASTLE CEMENT SALE DEAL ENDS GROUP'S PRESENCE IN UK SECTOR

RTZ sells cement unit for £230m

BY CLAY HARRIS IN LONDON

RTZ, the UK-based mining, energy and industrial group, is to sell its cement business, the second largest in Britain, for £230m ($391m) to Scancem, a Swedish-Norwegian venture.

The disposal of Castle Cement, which claims 25 per cent of the UK market, will end RTZ's six-year presence in the sector. RTZ said yesterday it planned to concentrate on activities where higher growth was achievable.

The acquisition of Castle will make Scancem the fourth largest cement manufacturer in Western Europe, if the domestic plants held separately by the consortium's owners, Aker Norcem, Norway's largest private industrial group, and AB Euroc, the Swedish building materials company, are included.

Castle's annual capacity of 3.7m tonnes at four UK plants will double the Scancem's worldwide output and give it a first manufacturing presence in the European Community.

Mr Derek Birkin, chief executive, said RTZ saw no way to increase profits or market share in cement. It planned instead to seek acquisitions similar to MK Electric, the plugs and switches maker it bought in January for £263m.

The cement operations contributed £18.6m to RTZ's net attributable profits in 1986, and the company indicated that at least a small advance had been achieved last year.

This was despite apparent teething problems at its new 1m-tonne plant at Ketton, on the Lincolnshire-Leicestershire border, which began production last autumn. Slight problems, no more than "hiccups," were now all but solved, RTZ said.

Castle Cement, as RTZ's operations in the sector were renamed in 1986 to improve marketing, ranks second in the UK market behind Blue Circle Industries, which has more than a 50 per cent share.

Although Scancem made an unsolicited offer to buy Castle, RTZ had already decided in principle to sell the business. In addition to the structural restraints, the UK industry has also seen pressure on margins in the wake of cement makers' decision last spring to abandon a common pricing agreement.

RTZ also believes that the UK construction cycle is close to its peak, a view shared in the City of London. The disposal was greeted yesterday by a 15p rise in RTZ's share price to 370p.

Mr Birkin, ironically, joined RTZ when it entered the cement market in 1982 with the takeover of Thomas W. Ward and Tunnel.

German car groups lose sales in US

By Our New York Staff

DAIMLER-BENZ and BMW, two leading West German car makers, reported a sharp decline in their US sales last month. In contrast, Jaguar of the UK saw sales slip slightly.

Sales of Mercedes-Benz cars fell 27 per cent, to 5,890 units from 8,068 a year earlier, taking figures for the year to date to 11,699 from 14,174. An official of the company's US subsidiary said it still hoped to top last year's total sales of 89,918 cars.

Although sales held up well in some parts of the country, such as California and the south-east, the less favourable economic climate on Wall Street, poor winter weather and uncertainty over the impact of new tax laws all affected potential buyers' attitudes in the north-east.

The company increased its prices by an average of 3 per cent last November.

BMW's February sales fell 12 per cent to 5,763 units, taking this year's figures down 10 per cent, to 10,359 from 11,573.

Two Merrill Lynch executives resign

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

TOP EXECUTIVES of Merrill Lynch Europe were silent yesterday after the surprise announcement late on Wednesday that Mr Steven Licht and Mr Caleb Watts, heads of money market activities and debt issues respectively, were to leave the company to pursue other interests.

Merrill's brief statement said their departures would be by mutual agreement, that the separation was amicable, and that the two men would work with Merrill during a transition period to provide for management succession.

Neither of the two men, nor any other official, has since been available to amplify the statement.

Mr Licht and Mr Watts have been members of a small executive committee running the London-based arm of the US brokerage house under the chairmanship of Mr Stanislas Yassukovich, who is also chairman of the Securities Association, the self-regulatory body for UK securities firms.

Just over four years ago, both men took part in what was then the largest mass defection seen in the Euromarkets when they and eight others resigned from Credit Suisse First Boston to join Merrill. Mr Licht was then deputy chairman of CSFB.

Their decision follows an uncertain period for Merrill's London operations, marked by other departures and a slump in the firm's role in the Eurobond market. It had ranked second in the league-table of new issuing houses in 1985, but slipped out of the top 20 last year.

Among those to have left over the past year are Mr Jean Rousseau, deputy chairman, who took an extended sabbatical; Mr Nahum Vaskevitch, head of mergers and acquisitions, who was dismissed after US insider trading allegations; Mr Giovanni Franzi, former senior officer for investment banking, who joined Benetton; Mr John Hutchinson, whose responsibility for the UK gilt-edged market had passed to Mr Licht; and Mr Richard Lutyens, head of equity syndication, who left to establish a niche merchant bank.

Chase asset disposal to raise $120m

By Anatole Kaletsky in New York

CHASE MANHATTAN, the second largest US banking group, said it would record a net gain of $120m in the current financial quarter as a result of the disposal of two assets – a valuable branch office building in Paris and a securities information subsidiary, Interactive Data Corporation.

IDC is being bought for $140m in cash by Dun & Bradstreet, the leading US market research and information group. The Paris building, in Rue de Cambon, has been sold to Copra, a property investment company.

Chase did not say how much of the $120m expected profit was coming from each of these transactions.

Explaining the disposals, Mr Willard Butcher, Chase's chairman, said they were "consistent with our objective of substantially increasing the capital of the corporation through the sale of assets with significant unrealised value and little long-range strategic importance."

AIG advances but cautions on outlook

By Our New York Staff

AMERICAN International Group, a leading US insurer, has reported a sharp advance in profits for the fourth quarter and year as a whole but warned that the general insurance market in the US has become more competitive.

Mr Maurice Greenberg, chairman, said: "Rates in many classes of business have receded from the high water marks of 1986."

In the fourth quarter ended December 31, net operating profits advanced 33 per cent to $269.9m or $1.61 a share, from $202.6m or $1.24.

Canadian Imperial surges by 32% in first quarter

BY DAVID OWEN IN TORONTO

CANADIAN IMPERIAL Bank of Commerce, the second largest Canadian bank, yesterday reported a hefty 32 per cent increase in first-quarter profits on the back of much improved net interest and non-interest income.

The bank, which recently bought a controlling stake in Wood Gundy, the investment dealer, also announced a 2 cent increase to 29 cents a share in dividend payments to common shareholders.

Earnings per share increased a comparatively modest 16 per cent. Last August the bank issued C$302m (US$240m) of additional common stock to strengthen its capital base, following a large increase in its loan loss reserves.

In all, net earnings for the quarter ended January 31 totalled C$150.4m or 87 cents a share, against C$114.2m or 75 cents a year earlier. Year-ago figures are restated to reflect accounting changes issued last month by the superintendent of financial institutions.

Non-interest income rose 15 per cent from 1987 levels to C$246.7m, due mainly to improvement in investment bank service income, foreign exchange commissions and credit card income.

Alcasa to buy 40% of Alunasa

By Joseph Mann in Caracas

ALCASA, the Venezuelan aluminium producer, will invest $3.2m to acquire a 40 per cent interest in Alunasa, a Costa Rica-based aluminium laminating company owned by Aluminios del Pacifico of Costa Rica.

The move is the most recent step in the Venezuelan Government's programme to build associations with foreign companies to capture overseas markets.

INTERNATIONAL COMPANIES AND FINANCE

Premium income at Allianz up DM6bn

By Haig Simonian in Frankfurt

ALLIANZ, West Germany's largest insurance group, increased worldwide premium income to DM25.6bn ($15.1bn) last year, against DM19.2bn in 1986, due largely to the first-time inclusion of results from Riunione Adriatica di Sicurta (RAS), its majority-owned Italian subsidiary.

Premiums would have gone up by 6.7 per cent without the RAS figures.

Foreign premium income, which more than doubled to DM9.2bn, accounts for 32 per cent of Allianz's business. However, the total was depressed by about DM575m due to foreign exchange fluctuations last year.

Net profits for the year at Allianz AG, which plays a double role as reinsurer and holding company for the group, are likely to remain at the same level as the DM231m earned in 1986.

The company expects to pay "an adequate dividend . . . and to allow for business expansion by strengthening the reserves," according to a letter to shareholders.

Allianz made about DM155m through gains on its investments during the year.

However, it has had to report "substantially higher" depreciation of about DM300m on securities and participations in 1987, although it did not specifically attribute these to October's crash in share prices.

At the operating level, Allianz Germany, which excludes the group's life business, raised premium income by 5.3 per cent to DM8.8bn, with the increase coming from nearly all categories of business.

Underwriting profits lagged behind the rise in premium income, with earnings at Allianz Versicherungs AG, the largest operating division, falling below the DM187m made in 1986.

The decline is largely attributable to the substantial rise in claims that were made last year.

Motor claims were particularly heavy and some premiums have already gone up, while those for third party cover are due to be revised.

The company has also been hit by claims for the breakdown of TV-SAT, the German direct broadcasting satellite, which has now been declared a total loss.

However, Allianz Germany's investments rose by DM620m to DM12.4bn and, overall, the company expects to transfer about DM130m to its parent, in line with the figure for 1986.

Abroad, Cornhill, the group's UK subsidiary, wrote premiums worth DM1.6bn last year.

Sales potential in the UK life insurance market has improved due to the exclusive marketing link between Cornhill and the Porchester Group.

In Italy, Allianz and RAS have founded a joint legal protection insurance company to exploit opportunities in a market the group says is still largely undeveloped.

Kaufhof group in tourism deal

By Our Financial Staff

INTERNATIONAL Tourist Services, part of the Kaufhof West German stores group, plans to take a 50 per cent stake in Holland International, the Dutch tourism company.

Vendex International of the Netherlands is to buy a 30 per cent shareholding.

Pechiney sees upturn to FFr700m

BY PAUL BETTS IN PARIS

PECHINEY, THE French state-owned aluminium and metals group, is out of the red for 1987. Having lost FFr86m in 1986, the group expects to declare net earnings of about FFr700m ($122.3m) last year on sales of FFr33bn.

Mr Jean Gandois, chairman, also said yesterday that he expected to report strong profits for the first half of 1988 following the recovery of world aluminium prices.

Mr Gandois, who is also chairman of Cockerill-Sambre, indicated that the Belgian steel group had been operating in the black since last October. He said Cockerill-Sambre was expected to show a net loss of between BFr1.5bn and BFr2bn ($42.5m to $56.6m) for 1987 but would have a positive cash-flow of BFr7bn.

After restructuring Pechiney's loss-making copper transformation and ferro-alloy activities, Mr Gandois said he was now seeking to develop the group's operations in its traditional aluminium business, its packaging sector and in the metal components field.

However, he said the delay in the privatisation of Pechiney was handicapping the group, which now needed to raise fresh equity funds to finance its development programmes.

Pechiney will have to invest about FFr20bn in the next four years, of which between FFr12bn and FFr13bn will be financed by cash-flow. This left between FFr7bn and FFr8bn of external financing to be found, Mr Gandois explained.

Since Pechiney did not want to distort its debt-to-equity ratio, Mr Gandois suggested that the group could not afford to raise more than about FFr3bn in fresh debt. Thus the group would have to raise new equity.

Mr Gandois confirmed that Pechiney was in advanced negotiations with the Soviet Union to form a joint aluminium packaging venture in Armenia. This would be the first major joint industrial venture set up in the Soviet Union under Moscow's new foreign investment policy.

After the unsuccessful attempt to merge Pechiney's packaging operations with those of Carnaud, controlled by the French CGIP group, Mr Gandois is seeking to develop the packaging division through internal growth and acquisitions of medium-sized companies in Europe.

The packaging activities reported an operating profit of more than FFr200m on sales of about FFr3.3bn last year.

Pechiney's nuclear fuels activity also remained highly profitable while the copper transformation sector, which lost FFr230m in 1986, broke even last year.

These operations have now come under the control of the Italian SMI metals group.

After restructuring, the ferro-alloy division also broke even last year after a loss of FFr200m in 1986. The heavy electrode operations lost FFr150m last year but were expected to make an improved showing in 1988, possibly clawing back their deficit to about FFr50m, Mr Gandois said.

He is planning to concentrate the group's industrial components operations around its Carbone-Lorraine subsidiary.

Pechiney recently increased its stake from 48 per cent to 51 per cent in the subsidiary, which reported profits of FFr70m last year on sales of FFr1.5bn. The other principal shareholder in Carbone-Lorraine is Paribas, the banking group, with a 20 per cent stake.

Boliden acquires Belgian mill

BY SARA WEBB IN STOCKHOLM

BOLIDEN, THE Swedish mining, mineral and chemicals group which was recently taken over by Trelleborg, the rubber products group, has acquired part of Cuivre et Zinc, a copper tube processing mill in Liege, Belgium, for an undisclosed sum.

Boliden has bought the mill and a sales company in Paris. Cuivre et Zinc has annual sales of about SKr350m ($59.3m), is showing "a reasonable profit" and employs 100 people.

The Belgian company produces pliable copper tubes for plumbing, ventilation and heating with an annual capacity of 25,000 tons.

At present it is working below capacity, at about 16,000 tons, but Boliden says it believes it can improve on this, given favourable prospects in the market. Cuivre et Zinc mostly uses copper scrap to produce the pipes.

Boliden currently produces about 7,000 tons of copper tube at its Swedish operations.

Boliden's Bergsoe subsidiary, which is taking over the Belgian operation, produces lead, copper and tin alloys, and lead. Last year it had sales of SKr700m.

Taking in the earlier acquisition of a Finnish metal-trading company, Boliden Bergsoe's annual sales will increase to about SKr1.2bn.

The company has plans to expand in the European market following this acquisition, where it believes the market for copper tube is expanding.

Boliden has recently been restructured and turned round by new management. In 1986 it showed a loss of SKr1.08bn, but this week it reported profits of SKr502m for 1987.

Sales increased from SKr12.38bn to SKr13.52bn.

Assubel-Vie 'holders back offer'

By Our Financial Staff

GROUPE AG, the Belgian insurance group, said yesterday that shareholders accounting for 36.4 per cent of Assubel-Vie shares had accepted its takeover offer of BFr7,200 ($203.9) a share.

Groupe AG's first offer, worth BFr6,000 a share, drew acceptances from 28 per cent of shareholders in Assubel-Vie, a rival insurance company. But Assubel-Vie, which opposes the takeover, blocked the transfer of the shares.

Groupe AG's bids have been prompted by talks between Assubel-Vie and Assurances Générales de France on future co-operation.

Under the company's statutes, Assubel-Vie's board can veto the transfer of shares providing it finds alternative buyers at the same price.

The "white knights" that matched Groupe AG's first offer included Groupe Bruxelles Lambert (GBL) and Cobepa, part of the Paribas French banking group.

However, Groupe AG said yesterday that it believed GBL might not stay part of any consortium Assubel-Vie would put together to counter Groupe AG's second offer.

Alusuisse recovers but omits payout

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Swiss aluminium and chemicals group, staged a strong recovery in 1987 but is again not paying a dividend.

Against a net loss of SFr688m in 1986, the group made a net profit of SFr259m ($185.3m) last year. It's last dividend payment, of 6 per cent, was made in 1984, when net profits totalled SFr169m.

The dramatic turnround last year was due partly to an improved economic environment and a marked rise in aluminium prices. It also reflected Alusuisse's success in adding value to its product range.

Ordinary income before tax amounted to SFr146m, compared with a loss of SFr36m, in spite of a 10 per cent drop in group turnover to SFr5.07bn. This decline in sales was due primarily to divestments and currency factors.

Overall results for the Alusuisse group benefited substantially from a massive improvement in extraordinary income.

After deduction of extraordinary expenses, this showed a net contribution of SFr150m last year. In 1986, heavy depreciation and restructuring led to net extraordinary costs of SFr592m.

Last year saw a substantial cut in these costs, while extraordinary income was derived from profits on divestments in the energy sector and the sale of other assets.

Alusuisse said that, in terms of operational results, both the aluminium division and the chemicals division showed a profit last year.

The group's return to profit, while expected following the massive restructuring of the past two years, was much higher than Swiss analysts had anticipated.

But Alusuisse's management were confident of a return to profits in the wake of the restructuring, which consisted of selling loss-making or ill-fitting subsidiaries. The company also launched a programme to reduce dependence on raw aluminium price swings.

Italian mutual funds hit by record redemptions

BY JOHN WYLES IN ROME

A RECORD level of redemptions last month reduced total assets managed by Italian mutual funds by 3 per cent as investors ran for shelter from a tumbling stock market in the first half of February.

However, the market's strong recovery over the last fortnight is said to have steadied the rate of redemptions and increased the flow of new funds. This is one reason behind the optimism among some analysts that the Milan market may be on an upward trend.

Redemptions in February totalled L2,947bn ($2.36bn) against new funds at L643bn.

The latter was a substantial advance on January's inflow of L367bn, as was the figure for redemptions which, in January, was L1,691bn.

As a result, the 75 mutual funds were managing assets at the end of February worth L55,544bn, 3 per cent lower than the month before.

The funds sold L793bn of fixed obligations and L520bn of shares, of which L300bn were Italian. Nevertheless, shares rose slightly to 24 per cent as a proportion of the funds' total investments.

The Comit Milan bourse index has risen by just over 6 per cent since hitting a low of 428 on February 9 – 53.5 per cent below its peak of May 1986.

The recovery has been puzzling many analysts, although cheerful economic figures, rising markets abroad and short covering are said to be part of the explanation.

But there is also a strong belief that recent buoyancy has been encouraged in part by groups such as those under Mr Carlo De Benedetti and Mr Raul Gardini.

Both men have plans to reorganise shareholdings, which will be more easily effected against a rising market.

INTERNATIONAL COMPANIES AND FINANCE

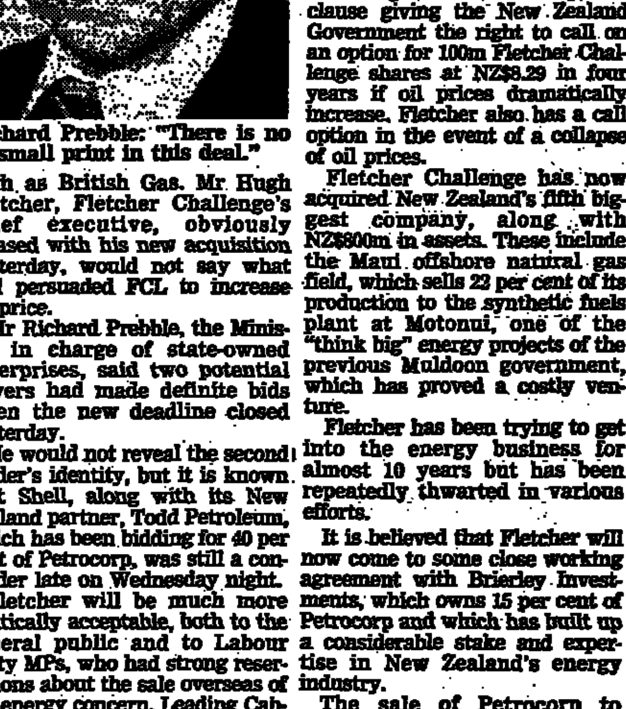
New Zealand sells Petrocorp to Fletcher Challenge

BY DAI HAYWARD IN WELLINGTON

JUST TWO days after the New Zealand Government cancelled an agreement for British Gas to buy Petrocorp, the state-owned energy group, Wellington has sold it to Fletcher Challenge.

The price, of NZ$1.75 a share, or NZ$800m (US$530m), is the same as that offered by British Gas.

Fletcher Challenge, New Zealand's biggest company, was an original bidder for Petrocorp, but was not then prepared to go as high as British Gas. Mr Hugh Fletcher, Fletcher Challenge's chief executive, obviously pleased with his new acquisition yesterday, would not say what had persuaded FCL to increase its price.



Richard Prebble: "There is no small print in this deal."

Mr Richard Prebble, the Minister in charge of state-owned enterprises, said two potential buyers had made definite bids when the new deadline closed yesterday.

He would not reveal the second bidder's identity, but it is known that Shell, along with its New Zealand partner, Todd Petroleum, which has been bidding for 40 per cent of Petrocorp, was still a contender late on Wednesday night.

Fletcher will be much more politically acceptable, both to the general public and to Labour Party MPs, who had strong reservations about the sale overseas of the energy concern. Leading Cabinet ministers deny this was the reason for the abrupt termination of the discussions with British Gas.

The NZ$800m purchase price for the 70 per cent of Petrocorp owned by the Government will be paid in US dollars, which the Government will use to pay some of New Zealand's overseas debt, now standing at NZ$33bn, after a NZ$2bn jump in the last quarter of 1987. Mr Roger Douglas, the Finance Minister, said last night that the Government would retire NZ$1.4bn of the government portion this year.

Mr Prebble said yesterday: "There is no small print in this one ... They — British Gas — really walked away from the deal" apparently in reference to the 35 pages of warranties which British Gas is said to have asked for last week. These became the official reason for the Government cancelling the deal. Mr Prebble has been at the centre of a political storm since he announced on Tuesday night that the Government had cancelled the British Gas deal — although heads of agreement had already been signed.

The agreement with Fletcher Challenge contains a special clause giving the New Zealand Government the right to call on an option for 100m Fletcher Challenge shares at NZ$8.29 in four years if oil prices dramatically increase. Fletcher also has a call option in the event of a collapse of oil prices.

Fletcher Challenge has now acquired New Zealand's fifth biggest company, along with NZ$800m in assets. These include the Maui offshore natural gas field, which sells 22 per cent of its production to the synthetic fuels plant at Motonui, one of the "think big" energy projects of the previous Muldoon government, which has proved a costly venture.

Fletcher has been trying to get into the energy business for almost 10 years but has been repeatedly thwarted in various efforts.

It is believed that Fletcher will now come to some close working agreement with Brierley Investments, which owns 15 per cent of the Petrocorp and which has built up a considerable stake and expertise in New Zealand's energy industry.

The sale of Petrocorp to Fletcher was anticipated by the share market. Fletcher Challenge shares jumped 22 cents to NZ$4.25 yesterday, helping the Barclays Index to its highest point this year with a jump of 69 points to 1751.

Towngas sales soar to record levels

By David Dodwell in Hong Kong

HONGKONG AND China Gas, the Hong Kong utility locally known as Towngas, yesterday reported record sales of domestic gas in 1987, which lifted profits after tax but before extraordinary items by 36 per cent, from HK$235m to HK$323m (US$41.5m).

Mr Lee Shau Kee, the group's chairman, said Towngas sales rose by 17 per cent over the year, to 10.5bn megajoules. A total of 66,000 new customers were gained over the year, taking the total to almost 544,000.

The group's bottom line profit was, in fact, lower than 1986, because of an extraordinary gain in that year arising from the development of one site, and the sale of a second, for a total of HK$327m.

Total group turnover amounted to HK$1.31bn, up 32 per cent from HK$988m. A final dividend of 22 cents a share is recommended, taking the total to 37 cents.

At present, the company uses naphtha to produce its domestic gas supplies. Negotiations with Chinese officials over the use of natural gas found south of Hainan Island, 200 miles west of Hong Kong, had made no progress, Mr Lee said. He nevertheless noted that exploration for oil and gas in the Pearl River delta had picked up recently, and said the company remained hopeful of a find there, much closer to Hong Kong.

● Jardine Matheson Holdings, the Hong Kong-based conglomerate, and Continental, the New York-based insurance holding company, have agreed to buy each other's interests in different parts of the jointly-owned Lombard Insurance Group, our Financial Staff writes.

Jardine, Matheson said the company is to acquire all of Lombard's life insurance operations, while Continental will buy the those parts of Lombard dealing with property and casualty insurance.

Jardine now owns 40 per cent of the joint venture, while Continental has 60 per cent.

Jardine is to receive a net US$15m from Continental to compensate for discrepancies in the transactions.

Industrial interests boost Anglovaal in first half

BY JIM JONES IN JOHANNESBURG

ANGLOVAAL, the smallest of South Africa's major mining houses, lifted its consolidated turnover and profits in the six months to December 31, 1987, largely because of better performances by the group's industrial interests.

First-half consolidated turnover, which does not include sales by the group's largest gold mines, increased to R1.88bn ($882.6m) from R1.46bn in the corresponding period of 1986. Interim operating profit, before tax, finance charges and dividend income, rose to R186.7m from R109.1m, and the pre-tax profit was R215.7m, against R109.1m.

Consolidated turnover totalled R3.11bn in the 1986-87 financial year, with operating profit reaching R257.6m and pre-tax profit R321.7m.

In common with most other mines, the profits of gold mines managed by Anglovaal have been squeezed by flat gold prices and sharply rising costs. At Hartebeestfontein, the group's largest mine, the cost of producing each ounce of gold rose by 16 per cent to R393 last year, while the fourth quarter's average revenue per ounce was R856, almost 3 per cent lower than in the corresponding quarter of 1986.

The group has continued to acquire gold mineral rights in the northern Orange Free State, where it is exploring in a region to the north of its Loraine mine.

Associated Manganese, the ferro-alloys and ore producer whose income is equity accounted, reduced its profitability, while the new Klipspruit export colliery suffered start-up losses.

There has been no change in the status of the Venetia diamond prospect in the northern Transvaal. De Beers, which evaluated several diamond pipes on the Venetia farm, says they are not economic given current costs, prices and tax allowances.

The industrial interests, held through Anglovaal Industries, all increased their profit contributions. Irvin & Johnson, the frozen foods and fishing subsidiary, has restored its margins to what the directors describe as "historically acceptable levels."

Acquisitions increased the scope of the group's electronics and fast foods interests.

First-half consolidated earnings rose to R16.41 a share from R14.64, and the interim dividend has been lifted to 220 cents from 195 cents. Earnings were R31.09 a share for the last financial year as a whole, when the dividend totalled R5.85.

Lifegro shows strong growth

BY OUR JOHANNESBURG CORRESPONDENT

LIFEGRO ASSURANCE, the former South African subsidiary of Legal & General, grew strongly in 1987, largely because of a sharp increase in single premium business.

Total premium income almost doubled, to R1.08bn ($507m), from 1986's R549m. The directors say recurring premium business increased by 56 per cent and this will be reflected largely in 1988's premium income. Total assets were R3.64bn at the end of 1987, against R2.75bn at the end of 1986, and shareholders' income increased to R9.8m from R9.4m.

The effects of last October's stock market collapse were mitigated to an extent by Lifegro's policy of option matching. As a result, the value of investments was affected to a lesser extent than the life assurance industry as a whole, the directors say.

The directors add that 1988's economic outlook is good, with indications of strong real growth with rising consumer spending. They caution, however, about upward pressure on prices and interest rates and the effects of poor agricultural conditions, government borrowing approaching 6 per cent of gross domestic product, increased union militancy and a disaffected civil service.

Earnings increased fractionally, to 18.9 cents a share from 18.8 cents, and the year's dividend has been raised to 16 cents from 15 cents.

Cadbury Schweppes SA lifts profits

BY OUR JOHANNESBURG CORRESPONDENT

CADBURY SCHWEPPES, the South African subsidiary of Cadbury Schweppes of the UK, increased sales by 41 per cent in 1987, as a result of an acquisition and increased demand for confectionery and soft drinks.

Turnover rose to R271.2m ($127.3m) last year from R192.8m a year before, while operating profits before interest and tax increased to R24.3m from R16.2m, and pre-tax profits advanced to R21m from R12.7m.

The directors say that the Cadbury division performed well in a competitive market and the introduction of a new chocolate bar contributed to a significant growth in sales.

The soft drinks division benefited from higher sales and improvements to internal efficiencies.

Bromor Foods, acquired in 1986, was consolidated fully for the whole year.

Earnings increased to 254.1 cents a share from 172.2 cents, and the year's dividend has been raised to 110 cents from 75 cents.

●French Bank, the South African subsidiary of Indosuez, did not participate in the fast-growing home loans and consumer credit markets in 1987 and, as a result, suffered a profit decline.

The disclosed profit, after tax and transfers to and from hidden reserves, fell to R6.8m from R8.4m.

The directors say French Bank is a wholesale banking institution specialising in financing foreign trade and intends to stick to this market sector.

They add that profits are expected to improve if corporate borrowers increase their demand for credit. Earnings fell to 60.6 cents a share from 80.3 cents, and the dividend has been maintained at 20 cents.

APPOINTMENTS

Rea Brothers group chief executive

Mr A.A. Hall, a director of the REA BROTHERS GROUP, and managing director of Rea Brothers (Guernsey), has been appointed group chief executive, and chief executive of Rea Brothers, the principal UK subsidiary. He succeeds Mr W.J.A. Dacombe who has resigned as group chief executive. Mr J.A.V. Townsend has been elected to the board of the company and becomes non-executive deputy chairman. He becomes non-executive chairman of Rea Brothers, of which he was a director. He is also a director of Finsbury Asset Management.

★

Mr Godfrey Horridge has been appointed finance director of ILLINGWORTH, MORRIS.

★

CAYZER STEEL BOWATER INTERNATIONAL has appointed Mr Alan Lydon as development director to the London marketing company's contractor division. He was a director of Fenchurch Construction Insurance, and Leslie and Godwin Special Risks.

★

ASTEC EUROPE, a BSR Group company, has restructured its board. Joining the board are Mr Rex Thorne, main BSR board member with special responsibility for European operations; Mr John Burrows, general manager of the UK-based European manufacturing plant; Mr Philip Lamb, head of finance for Astec European operations; and Mr Jim Smillie.

★

London-based stockbroker SVENSKA & CO., part of the Swedish Svenska Handelsbanken Group, has appointed Mr John Clarke as managing director. He was a partner with Simon & Coates.

★

Mr D.J. Evans, president, European operations of Hiram Walker, has been appointed chairman and chief executive of HIRAM WALKER-ALLIED VINTNERS INTERNATIONAL, a newly-formed company. The executives will be: Mr M.E. Adams, vice president, S.E. Asia; Mr V. Baron, president, H.W.Argentina S.A.; Mr G.W. Clark, finance and administration; Mr D.M. Coe, president Allied-Lyons International Brands; Mr B.J. Hilfiker, vice president, Europe, Africa, and Latin America; and Mr E.P. Huysser, vice president, European distribution. Non-executive directors will be Mr M.C.J. Jackaman, Mr D. Beatty, and Mr J.P. Ferguson.

★

Mr Peter Brackenridge has been elected to the board of BORTHWICKS as group finance director. He was group secretary.

★

M.W. MARSHALL (OPTIONS) HOLDINGS has appointed Mr Michael A. Knowles as chairman and Mr Martin A. Goodey as chief executive. Mr Edward C. Baltes, Mr Paul M. Barton, Mr Peter J. Bentley, Mr Christopher K. Kelson and Mr Sydney Muller join the board as directors.

★

Mr Peter Kinnaird, who joined Tozer Vehicle Services from BMW (GB) as marketing director last December, has been appointed managing director of ALFA ROMEO (GB), a Tozer company.

★

Mr Michael Pelham has been appointed managing director of CONDER GROUP in succession to Mr W.C. Robinson who is standing down due to ill health, but who remains a non-executive director. Mr Pelham, who joined the group last July, was group development director.

★

CMG COMPUTER MANAGEMENT GROUP has appointed Mr John Rioch as UK national director. He was managing director of CMG Consultancy Services Scotland.

★

Ms Leslie Clarke, previously assistant director and chief accountant of VALIN POLLEN LIMITED, has been appointed finance director following Mr Peter Barfield's appointment as finance director of The VPI Group.

★

PHILIPS BUSINESS SYSTEMS has appointed Mr Barrie Evans as general manager, finance division. He was with CAP Financial.

Bond dealers enjoy the Treasury's auctions, **George Graham** finds

The biggest game in Paris

AT 10.30 ON the first Thursday morning of every month, the regulars arrive at the Bank of France for the highest stakes bingo game in town.

The steady, emotion-free voice of the Bank of France official could compete with the most experienced Mecca caller; and the diligence with which the spectators mark their scorecards puts many a bingo hall to shame.

But there are no unseemly cries of "House!" at the monthly auction of French government bonds – at worst a smothered chuckle when a bank submits a bid that is way off the market, or a disappointed shake of the head if the Treasury's representative fixes the cut-off point at which he will accept bids too high.

First introduced in 1985, the auction system is now used for almost all government bond issues. Treasury officials estimate that the technique has saved the Government between ¼ and ½ percentage point on the cost of issuing debt.

Yesterday, heavy demand for all three of the bonds up for auction left many bidders disappointed. The Treasury had announced in advance that it would sell only FFr7bn to FFr9bn, but it could have sold considerably more had it anticipated the strength of bidding.

With FFr8.99bn eventually allotted, the Treasury has now raised FFr34bn this year out of its total borrowing requirement for 1988 of between FFr90bn and FFr110bn ($19.17bn). A further FFr556m worth was sold through non-competitive bids to authorised primary dealers and foreign central banks.

The surprise of yesterday's auction was the TRB 1993, a new five-year, floating-rate bond indexed on the yields of the weekly auction of short-term Treasury bills.

Analysts present at the auction yesterday were suprised when a single large operator bid for FFr3bn at prices well above market expectations.

The bids – believed to have been submitted on behalf of a large money market mutual fund manager seeking a state-backed floating-rate instrument as a substitute for securities such as commercial paper – accounted for the bulk of the FFr4.9bn eventually allotted by the Treasury. Bids were accepted at and above 98.8, giving an average yield of 31 basis points over the Treasury bill yield.

Some bond market operators attributed the high bids to lack of experience in this kind of floating rate instrument.

"Bond managers are often a bit slow on the trigger, and they need time to acclimatise themselves," commented one senior dealer.

More understandable was the strength of interest in the OAT 8.5 per cent 2012 – a longer maturity than the French market is accustomed to, but a bond in which turnover has soared in the past week as dealers anticipated a decline in interest rates.

The Treasury filled only FFr1.34bn out of FFr7.65bn bid for, at an average yield of 9.37 per cent. Bids were met in full at a price of 91.7 or 91.8, and reduced by 40 per cent at 91.6.

In the more usual OAT 9.5 per cent 1998, the Treasury allotted FFr2.75bn of the FFr8.95bn applied for, at an average yield of 9.06 per cent. Bids were met in full at a price of 103 and above, and reduced by 40 per cent at 102.9.

Some officials are puzzled that so many bond market operators choose to turn up in person for the public auction procedure each month, when the results are available on Reuters and Telerate screens. Yet for the regulars, the occasion is not to be missed.

"It is the only way of getting the feel of the market," said one trader, who admitted to nostalgia for the old days of face-to-face dealing in the stock exchange.

"Besides, I would do anything to get away from those damned screens for a while."

Bond plans convertible for Allied-Lyons

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BOND CORPORATION, the holding company of Australian entrepreneur Mr Alan Bond, has raised its stake in Allied-Lyons, the UK brewing and food group, to more than 6 per cent and yesterday moved to reduce its costs of holding the shares.

Allied-Lyons said yesterday that Bond had built up its stake to 45.8m shares, 6.28 per cent of its share capital. Bond had disclosed a 36.5m share stake in December.

Bond also yesterday launched a Eurobond, convertible into Allied-Lyons shares, designed to lower its costs of financing the stake.

The 10-year bond carries an annual coupon of 6 per cent and is convertible into Allied shares at 420p, a 16 per cent premium over the company's share price of 362p at the time of the bond's launch yesterday. Issued through Merrill Lynch and Salomon Brothers, the size of the issue was quickly increased to £125m from £100m.

Bond will retain control over the Allied equity because it may choose to repay investors in cash, rather than in shares, if they decide to exercise their conversion rights.

There is also an option for holders to redeem the bonds at the end of five years at a price which will give them an annual return of 10.43 per cent.

All these features have been used in previous convertible issues, most recently in the £147m of preference shares issued by News Corporation, the international media group controlled by Mr Rupert Murdoch, convertible into shares of Pearson, the conglomerate which owns the Financial Times.

The Allied shares will, however, be held in trust to offer increased protection to bondholders, although Bond will still be able to vote them and tender them in a general offer under certain circumstances. If fully converted, the bonds would represent 29.76m Allied shares.

Bond started to buy into Allied, which markets its Castlemaine XXXX and Swan beers in the UK, before last October's stock market crash, and was believed to have bought a 2.8 per cent stake at an average price of some £4.40. It has since increased its stake, possibly to bring down the average price of the shares.

Sir Derrick Holden-Brown, Allied's chairman, said last night that he had spoken to Mr Bond last Friday and on Tuesday and he had no intimation that the issue of the convertible changed the relationship between the two companies. Mr Bond had long stated a 2-3 per cent stake in Allied, and the latest move did not contradict that desire.

Two Euro CP deals launched for $1.7bn

TWO GOVERNMENT-backed sovereign borrowers yesterday announced the establishment of large programmes to raise money in the Eurocommercial paper market, with a combined size of $1.7bn, writes Stephen Fidler.

Swedish Export Credit, Sweden's government trade finance body, is setting up a programme with a maximum size of $1bn, arranged by Merrill Lynch International. Other dealers are Bankers Trust International, Daiwa Europe, and Swiss Bank Corporation Investment banking.

Petro-Canada, the state hydrocarbons concern, is establishing a $700m programme arranged by J.P.Morgan Securities. Also appointed as dealers were Citicorp Investment Bank, Credit Suisse First Boston, Orion Royal Bank and SBCI.

Both programmes are expected to be active and, as is usual for top-rated sovereign borrowers, paper is expected to be issued at yields below London interbank bid rates.

Primerica, the US financial services and retailing group, also said it had put in place a $175m ECP programme, with First Chicago, J.P.Morgan and SBCI as dealers.

A floating rate note issuance facility for Bombardier, the Canadian transport equipment maker, was increased to $75m from $50m. It was being arranged by County NatWest.

Cheltenham and Gloucester Building Society is to have a £150m five-year revolving credit arranged by Banque Paribas (London).

American Express hires Kurz to run bond syndicate

By William Dullforce in Geneva

MR JEAN-FRANCOIS KURZ, the key figure in the Swiss bond underwriting syndicate run by Banque Gutzwiller, Kurz, Bungener, is joining Trade Development Bank, the Geneva subsidiary of American Express Bank of New York.

Mr Robert Smith, American Express Bank's chairman and chief executive, announced in Geneva yesterday that the syndicate would continue under Mr Kurz's chairmanship, with TDB as the lead member. Eventually (when legal issues have been sorted out) it will operate under the TDB name.

Mr Kurz resigned from Banque Gutzwiller last month because of differences with Bank Leu of Zurich, its majority shareholder. Bank Leu intends to join the main Swiss bond syndicate run by Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse.

Bank Leu's decision and Mr Kurz's departure had raised doubts about the future of the Gutzwiller syndicate, which has been a constant irritant to the big bank syndicate for the past 15 years. Mr Smith said yesterday that the 24 other members of the syndicate had agreed to continue with TDB as lead member from May 1.

Mr Smith described Mr Kurz as a "long-time innovator" with a proven track record on the Swiss capital market.

Meanwhile TDB is being merged with the wholly-owned American Express Bank (Switzerland) of Zurich. In its new shape TDB, which was already the largest foreign bank in Switzerland, will have a combined equity of SFr806m ($580m) and total assets of SFr7.5bn.

Mr Heinz Zimmer, American Express Bank's vice-chairman responsible for worldwide private banking operations, will move to Geneva from Zurich. Clients' assets under management have increased from $5bn five years ago, when American Express Bank took over Trade Development Bank, to $12.5bn.

Yesterday TDB reported a 7.1 per cent rise in net earnings to SFr71.4m in 1987, with cash flow increasing by 21.5 per cent to SFr139.5m. It declared a dividend of SFr35m.

American Express Bank (Switzerland) in Zurich posted a 16.2 per cent increase in net income to SFr17.1m in 1987 with total assets remaining basically unchanged at SFr1.1bn. Deposits rose by 12 per cent to SFr500m.

By joining the Gutzwiller syndicate and appointing Mr Kurz as a member of its general management, TDB and American Express Bank are making their first venture into the primary issuing market.

Last year, however, American Express Bank took a two-thirds stake in Amtrade Partners, a new company in Geneva formed to exploit the grey market in Swiss bonds.

Meanwhile last Monday Mr Edmond Safra, from whom American Express Bank bought TDB in 1983, has returned to the Geneva banking scene. Under the terms of the sale, Mr Safra had undertaken not to compete with American Express Bank in Geneva for five years. This undertaking expired on Monday.

Libra Bank seeks $450m from owners

LIBRA BANK, the London-based consortium bank specialising in Latin America, has had to call on its 10 shareholder banks for $450m in special funds to enable it to make provisions against its Third World loans, writes David Lascelles.

The money is being placed in the form of perpetual subordinated loans and deposits which may not be withdrawn without the prior consent of the Bank of England.

Mr Peter Belmont, Libra's managing director, said the deposit would enable Libra to make the provisions required by the Bank's matrix. He expected Libra to be able to reduce the size of the deposit over time, provided large Latin America debtor countries resumed debt service payments.

The deposit was made in proportion to each shareholder's holding, the largest of which is Chase Manhattan with 32.8 per cent. NatWest of the UK has 5 per cent.

Libra's 1987 results, published yesterday, show a sharp fall in pre-tax profits to £16.7m from £43.9m in 1986, reflecting the interruption in interest payments by certain debtor countries. However, the group managed, for the first time, to cover its operating expenses from its fee income.

IFC's largest issue yet meets strong reception

BY CLARE PEARSON

INTERNATIONAL FINANCE Corporation, the World Bank affiliate, yesterday broke new ground with a $150m Eurobond issue, its largest Eurodollar deal yet. Up to now, the IFC has limited its issue sizes to $55m.

The deal was described as the closest yet to a full-scale public issue for the IFC, though it was underwritten by a small management group of six banks under Credit Suisse First Boston's leadership.

Dealers agreed the 8¾ per cent five-year issue met a strong reception, quoted at less 1½ against 1⅞ per cent fees. It was priced at 101⅛ to give an initial yield spread of 60 basis points over US Treasury bonds.

The IFC, which concentrates on private sector financing, is unrated. CSFB said its borrowings amounted to $1.7bn against $4.6bn capital and reserves.

The Eurodollar market was steady yesterday. Prices were little changed though dealers said the market had a firm undertone.

Deutsche Bank Capital Markets, meanwhile, announced a C$75m bond for Ford Credit Canada. This was widely seen as tightly priced although Deutsche Bank said it had identified strong demand for Ford's paper, and felt comfortable with the issue. According to the lead-manager, the 9⅞ per cent five-year bond, priced at 101⅞, was bid at less 1½ against 1⅞ per cent fees.

A firm gilt market provided the backcloth for a £50m 10-year deal for Leeds Permanent. The issue was subordinated, and followed new powers conferred on the UK building societies to raise capital in this way which came into effect last month.

The issue was the first fully-tradeable subordinated Eurobond for a building society (though Nationwide Anglia issued a listed bond which was effectively a private placement last month). But as two of the UK banks have also tapped the market for subordinated funds recently, there were fears of market indigestion.

However, the terms of Baring Brothers' 10½ per cent deal for Leeds looked fair. Priced at 100⅞, it gave an initial yield spread of

INTERNATIONAL BONDS

105 basis points over the gilt. It was bid at less 1⅞, ⅛ point inside total fees.

Westpac Banking Corporation launched an A$75m three-year bond for Thomson-Brandt International, guaranteed by the French state-owned telecommunications company.

The 12⅞ per cent bond was issued against the background of a strongly rallying Australian dollar secondary market, although dealers said primary market paper was moving more slowly. But Westpac said Thomson's deal, priced at 101⅛, met good demand. It traded ⅛ above its fees.

DM750m of new paper was unleashed onto the D-Mark market yesterday, bringing the total for the week to DM1.85bn. This put pressure on the primary market though secondary market prices were steady. Some newer issues moved 15 to 20 basis points easier.

However, Commerzbank's seven-year DM300m 6¾ per cent bond for the Central Bank of Turkey was seen as generously priced and likely to attract domestic investors. It traded ¼ point above its par issue price.

Commerzbank's other offering of the day, a DM200m five-year bond for Enso-Gutzeit, the Finnish forest products company, was conversely seen as slightly tight. The 5 per cent deal, priced at 100½, was quoted at less 1¼ bid, against 2 per cent fees. This was the borrower's first public issue in D-Marks.

Late in the day Eurofima, the Swiss-based European railroad rolling stock financing agency, tapped the market for DM150m with a 10-year 5¾ per cent bond led by Deutsche Bank. This was underwritten by a small group including the West German subsidiaries of Swiss banks.

Hessische Landesbank Girozentrale brought a DM100m bond for its Luxembourg subsidiary, mainly destined for the bank's own clients. The 5½ per cent seven-year bond was priced at 100½.

In Switzerland, prices closed slightly firmer in active turnover. In its second day's trading, a SFr150m 5 per cent bond for Autopistas del Atlantico gained a ¼ point to close at 100½. ¼ below its issue price.

Handelsbank NatWest announced a SFr140m issue for Hidroelectrica Iberica Iberduero, split equally into two tranches. The eight-year 4⅞ per cent bond is priced at 100¼, while the 10-year 5 per cent bond is priced at 100¾. Neither is callable. The eight-year tranche was bid at less 1¼, while the 10-year portion was less 1 bid.

●Holders of a SFr100m bond for L.F. Rothschild, the US brokerage house which last month agreed to be taken over by Franklin Savings, voted by a large majority for a proposal reducing the capitalisation requirement in return for 30 per cent redemption at par with accrued interest.

New rules soon for Dutch takeovers

THE AMSTERDAM stock exchange will present firm proposals to the Dutch Government to change corporate law and update obsolete takeover rules, Reuter reports from Amsterdam.

In a separate move, a report to be published by the exchange tomorrow is expected lay down new rules forcing shareholders to declare stakes in excess of about 10 per cent. Shareholdings do not currently have to be declared.

The report will also condemn some of the many defences Dutch companies can erect to fend off unwanted takeovers.

The realisation that many such defences can only be abolished by law has prompted the bourse, usually a staunch defender of market self-regulation, to take the unprecedented step of drafting a proposal itself.

The bourse is concerned that current rules, which led to chaos in two recent takeover battles, will be unable to cope with the likely rise in takeover activity ahead of the 1992 liberalisation.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96½	97	−0⅛	+0⅛	8.50
All Nippon Air 9⅛ 97	100	†99⅞	100⅛	0	−0⅛	9.34
American Brands 8⅞ 92	150	99¾	100¼	0	+1¼	8.85
A/S Eksportfinans 7⅜ 93	100	96	96½	0	+0⅛	8.49
A/S Eksportfinans 7¼ 92	150	96¾	97¼	0	+0⅛	8.17
Barc. Bk. Fin. 10¼ 89	200	†103½	104	0	0	7.88
Belgium 9⅛ 92	400	102¾	103¼	+0⅛	+0¼	8.28
British Telecom 7⅞ 96	250	92⅞	93⅜	+0⅛	+0½	8.83
British Telecom 8⅞ 94	150	101½	102	+0¼	+0½	8.49
Canada 9 96	1000	102¾	103¼	+0⅛	+0⅝	8.47
Canadian Pac 10¼ 93	100	†105¼	106¼	0	−0¼	9.30
C.C.C.E 7¼ 91	113	96¾	97¼	0	0	8.09
C.N.C.A 7¼ 91	150	96½	97	0	0	8.27
Coca-Cola Ent. 8¼ 90	100	†101⅝	102⅛	0	0	7.32
Credit Lyonnais 9 91	200	102⅜	102⅞	0	0	7.98
Credit National 7⅞ 92	100	97	97½	+0⅛	+0⅛	8.17
Credit National 7¼ 91	150	97⅛	97⅝	+0⅛	+0¼	8.07
Denmark 7⅛ 92	500	95¾	96¼	0	+0⅛	8.34
Denmark 8¼ 92	300	†100½	101	0	+0¼	7.96
E.E.C 7 91	100	96¾	97⅜	0	+0¼	7.94
E.E.C. 7¼ 93	250	95⅞	96⅜	0	+0¼	8.22
E.E.C 8¼ 96	100	96¾	97⅜	0	+0⅛	8.76
E.I.B. 7⅞ 93	100	96¾	97¼	+0⅛	+0⅛	8.29
E.I.B. 9⅞ 97	150	103⅛	103½	0	+0⅛	8.84
Finland 7⅞ 97	200	93⅜	93⅞	+0⅛	0	8.94
Finland 7½ 93	200	96¼	96¾	0	+0¼	8.30
Finland 9⅛ 92	100	†103¼	103⅝	0	−0⅛	8.24
Ford Motor Cred 11⅛ 90	100	106	106½	0	0	7.80
Gen Elec Credit 10¼ 00	200	102¾	103⅜	0	−0⅛	9.81
G.M.A.C. 8 89	250	100⅛	100¾	0	−0⅛	7.57
G.M.A.C. 8¼ 89	200	100⅝	101⅛	0	+0¼	7.48
Hoesch 8¼ 97	100	†94½	95	0	+0½	9.12
Italy 9 90	1000	102¾	103¼	0	+0⅛	7.64
Liberty Mutual 8½ 96	150	†97½	98	0	0	8.88
L.T.C.B of Japan 8 91	100	99⅝	100⅛	+0⅛	+0¼	8.02
L.T.C.B. of Japan 8 97	200	92⅝	93⅛	+0¼	+0½	9.20
Mercds-Benz Cred 8¼ 92	100	†100¾	101¼	0	+0¼	7.95
Metropolis Tokyo 9½ 93	200	104⅛	104⅝	0	0	8.35
Mitsubishi fin. 7⅞ 93	100	95⅞	96⅜	0	+0¼	8.74
Mutual America 7⅛ 92	100	†97	97½	0	+0¼	8.48
Norway 8¼ 93	500	101¾	102¼	0	+0⅜	8.25
Pepsico Inc 7⅞ 93	200	96¼	96¾	0	−0¼	8.22
Prudential Crp. 8¾ 94	125	102¼	102⅝	+0¼	+0¼	8.24
Qantas Airways 10⅜ 95	140	107¼	107⅝	0	+0⅜	8.94
Saab Scania 9½ 91	125	103⅞	104⅜	0	+0¼	7.88
Saskatchewan 10¼ 92	100	108	108⅜	0	+0¼	8.28
State Bk S Aust 9¼ 93	100	102½	103	0	+0⅛	8.54
Swedish Expt.Crd. 7¼ 91	100	97⅛	97⅝	+0⅛	+0⅛	8.07
Swed Exp Cred 10 92	100	105⅞	106⅜	−0⅛	−0¼	8.25
Sweden 7 91	250	97	97½	0	+0¼	7.89
Sweden 7 92	250	96½	97	0	+0¼	7.99
Sweden 8¾ 96	200	99⅞	100⅜	+0⅛	+0½	8.72
Sweden 8½ 92	200	101⅝	102	0	+0⅛	8.03
Toyota Mtr. Cred. 9 90	200	102¾	103¼	0	−0⅛	7.74
Toyota Mtr.Cred. 7⅜ 92	150	†96½	97	0	+0⅛	8.12
Victorian Rep 11⅜ 92	150	110¼	110¾	0	+0⅛	8.50
World Bank 7 92	300	†96¾	97¼	+0⅛	+0½	7.92
World Bank 9 97	300	101	101½	+0⅛	+0¼	8.78
Yasuda Trust Fin 8½ 93	100	98⅞	99⅜	0	+0¼	8.69

Average price change... On day +0 on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	†102½	103½	+0⅛	+0⅛	5.45
Avis Fin.SVS 5⅞ 92	100	*†103	103½	0	+0⅛	4.97
Bank of Tokyo 5¼ 93	100	*†103½	104	0	−0¼	4.88
Central BK. Turkey 7 92	200	*†104½	105	0	+0½	5.78
Degussa Int. 6¼ 97	200	†100¾	101¼	+0⅛	+0¼	6.01
E.I.B 5½ 98	150	†96½	97¼	+0⅛	+1¼	5.86
E.I.B 6 97	300	†101	102	−0⅛	+0¼	5.78
E.I.B. 6¼ 96	300	†101¾	102¾	0	+0⅛	5.77
E.I.B. 6¼ 97	400	†101¼	102¼	+0⅛	+0¾	5.87
E.I.B. 6⅞ 95	300	†106¾	107¾	0	+0⅝	5.66
Euro.Coal&Steel 5⅞ 97	175	†99¾	100¼	+0⅛	+1	5.84
Eurofima 6¼ 96	100	†102½	103½	+0⅛	0	5.79
Elec De France 5⅞ 97	300	†99½	100½	+0⅛	+1½	5.75
Forsmark Krtg. 5⅛ 93	200	†100¼	100⅝	0	+0¼	5.01
I.A.D.B. 6 97	200	†98¾	99¾	0	+0⅛	6.10
IBJ 5⅞ 92	100	*†103	103½	0	0	5.06
Japan Finance 5¾ 97	100	†98	99	+0¼	+0¼	5.97
Ireland 6½ 97	300	*†101	101¾	0	+0⅛	6.31
Korea Dev BK 6⅛ 93	100	†102¾	103¾	−0⅛	0	5.88
Malaysia 6¼ 94	150	†100½	101½	+0⅛	+0⅜	6.07
Osters. Kontbk. 5 93	300	†100¼	100⅝	0	+0¼	4.94
Portugal 5¾ 92	150	†102½	103½	0	0	4.97
Portugal 6¼ 95	150	†102⅞	103⅞	+0¼	+0¼	6.04
Royal Insurance 5½ 92	300	*†102½	102¾	0	+0⅛	4.78
Statoil 6¼ 97	200	*†100¾	101¾	0	+1⅛	6.10
Soc Cent Nucleair 7¼ 95	150	†105¾	106¾	+0½	+1¼	6.16
Tokyo Elec. Power 6 97	300	†99½	99¾	+0¼	+0⅛	6.06
World BK. 6¼ 97	600	†102	103	−0¼	+0⅝	5.76

Average price change... On day +0⅛ on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅜ 96	100	†102⅛	103	−0⅛	+0⅛	5.21
Asfinag 5 02	150	†100	100½	0	+0⅛	4.97
Bk. Frgn. Econ. Usr 5 98	100	†99½	100	−0⅛	−0⅝	5.03
Bayer W/W 2½ 02	250	†97½	98	0	0	2.69
Bayer. Vrnsbk.Os. 4¾ 98	100	†100¾	101	+0⅛	+0⅛	4.64
Elec.De.France 5 07	100	*†101¾	102¾	0	+1¼	4.84
E.I.B. 4¼ 97	200	†100	101	−0⅛	−0¼	4.68
E.I.B 4⅝ 97	200	†100	100½	+0⅛	+0¼	4.59
Enso Gutzeit 5 99	100	*†101	101¼	0	−0¼	4.87
Ireland 5 02	150	†97⅝	97⅞	−0¼	+0¼	5.24
Nippon Sals.Kola. 4⅞ 93	80	†102½	103	+0⅛	−0¼	4.04
Occidentl. Petrol 5¼ 92	100	†103	103½	+0¼	−0½	4.82
Prov.of Manitoba 4¾ 02	200	†101	101½	−0⅛	+0⅝	4.58
Prudential Fin. 4⅝ 98	200	†100¼	101	−0⅛	0	4.64
Qantas Airways 4¾ 97	110	†98½	99	−0⅛	0	4.91
SBV Holdings 4⅝ 94	100	*†102¼	102⅝	0	+1⅜	4.30
Trans-Can. Pipe 4⅞ 94	100	†101⅛	101⅝	+0¼	+0¼	4.60
Usfrg. 5½ 96	120	†103½	104	−0⅛	−0⅛	4.91
Victoria Pub.Aut. 5⅛ 03	118	†102⅛	103	+0⅛	+0¼	5.09
World Bank 5 02	200	†99⅝	99¾	−0⅛	+0⅝	5.03

Average price change... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅝	+0⅛	−0⅛	4.77
Belgium 4⅝ 94	45	97⅛	97¼	0	0	5.10
E.I.B 4⅝ 94	40	97¾	98⅛	+0⅛	0	5.03
Elec. De France 5⅛ 94	20	100⅝	101⅛	0	+0⅛	4.95
Kansai Electric 4⅝ 94	60	97	97½	−0⅛	−0⅛	5.18
Norway 4¾ 92	60	98⅛	98⅝	+0⅛	0	4.72
Rep. of Italy 5¼ 92	150	103¼	104	0	0	4.66
Sweden 4⅝ 92	50	98¼	98⅝	−0⅛	−0⅛	4.79
World Bank 5½ 92	50	103⅛	103⅝	0	0	4.62

Average price change... On day +0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	101⅛	101¼	0	+0⅛	9.84
Aegon 5¾ 91 FL	100	†102	102½	0	+0¼	5.04
Air Products 6¼ 91 FL	100	†102½	103	−0¼	0	5.72
Alg. Bk. Ned. 5¼ 91 FL	100	†102	102½	0	+0⅛	5.03
Amro Bank 6¼ 92 FL	150	102¾	103⅛	+0⅛	+0⅛	5.46
Barc. Aust. 14 91 A$	20	104¼	104⅝	+0½	+1	12.33
Barc. Bk. 10¼ 97 £	250	100	100⅜	0	+0⅝	10.21
BP Capital 13⅛ 92 A$	75	105¼	105¾	+0½	+0⅞	12.01
C.I.B.C.Mort.10¼ 93 C$	100	†103⅛	103⅝	+0¼	+0½	9.85
Denmark 7¾ 92 ECU	100	101¼	101⅝	0	+0¼	7.32
DG Fin. Co. 13¼ 90 A$	50	†104	105	0	+0¼	11.50
DG Fin. Co. 14 90 A$	75	†103½	104¼	+0⅛	+0⅛	12.10
DG Finance 14⅛ 92 A$	50	†103½	104½	0	−1	13.05
Deutsche Bank 9⅞ 97 £	75	†99¾	100¼	+0⅜	−0¼	9.87
Deutsche Bk.14¼ 92 A$	100	†105¾	106¼	−0⅛	+0¼	12.26
Dresdner fin.13⅞ 91 A$	100	†105¼	105¾	0	−0¼	11.68
E.I.B 8⅝ 93 LF	1000	†102½	103½	0	0	7.86
Euratom 7¾ 97 ECU	145	97¼	97¾	−0⅛	+0½	7.76
Eurofima 13 95 A$	75	102⅜	102¾	+0⅛	+0¼	12.43
Eurofima 17½ 89 NZ$	50	†102½	103½	+0¼	−0¼	15.20
Fed. Bus. Dv. Bk. 9¼ 92 C$	75	†101¼	102¼	+0¼	+0⅝	9.14
Ford Cr.Can.10¾ 93 C$	100	†103⅛	103⅞	+0¼	+0⅝	9.78
Gillette Can. 9⅝ 93 £	70	97½	97⅞	0	+0⅛	10.22
G.M.A.C. 9¼ 92 C$	75	101	101½	+0⅛	+0⅛	8.86
G.M.A.C Aus.Fin.14 90 A$	50	103⅛	103½	+0⅛	+0½	12.24
Halifax BS 10⅝ 97 £	100	†99⅜	99⅞	0	+0⅛	10.44
Heineken NV. 6½ 91 FL	150	†104	104½	0	0	4.90
Honda Mtr.W/W 3⅞ 90 FL	100	*†110½	112½	0	0	−1.61
Imp Chem Ind. 10 03 £	100	†96⅛	97¼	+0¼	+0¼	10.39
Inv.Industry Int.10 93 £	60	100¾	101¼	−0⅛	+0¼	9.73
Leeds B.S 10½ 91 £	50	101	101½	+0¼	+0¼	9.99
Mtge. Bk. Den. 6 91 FL	150	†101	101½	0	0	5.61
Mtge. Bk. Den. 6¼ 91 FL	100	†103¼	103¾	0	+0¼	5.45
Nat Australia 14 92 A$	50	104⅝	104⅞	+0¼	+0½	−0.87
Nat. West Bk. 13⅞ 92 A$	50	†103¾	104¼	+0¼	+1	11.92
Nationwide BS 10⅛ 93 £	75	100¾	101¼	0	−0⅛	9.85
New Zealand 7¾ 93 ECU	200	100½	101	−0⅛	+0⅝	7.56
Osters. Kntl. 13⅞ 94 A$	75	105½	106⅛	0	+0⅝	12.24
Prudential Fin. 9⅝ 07 £	150	91½	92	−0¼	−0¼	10.37
S.D.R. 7⅞ 95 ECU	90	100⅞	101⅛	0	+1	7.54
Thyssen Fin. 7¼ 98 FL	50	†103⅛	103⅝	0	−0⅛	5.69
Westamer 6¼ 97 FL	50	†102⅞	102⅞	+0⅛	+0½	5.66
World Bank 5¾ 91 FL	100	†101⅞	102⅜	+0⅛	+0⅛	5.11
World Bank 5¾ 92 FL	100	101⅛	101⅝	+0⅛	+0⅛	5.33
World Bank 13¼ 92 A$	100	†104⅛	104⅝	+0¼	+1	11.98

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.31	100.41	13/06	8.17
Alliance & Leic. Bld 94 £	.08	99.10	99.15	21/04	9.02
Belgium 91	0	100.19	100.29	22/08	7
Britannia 5 93 £	0⅛	99.63	99.71	8/04	9¼
Chase Manhattan Corp 91	0⅛	99.28	99.58	22/08	6.94
Citicorp 98	†0¼	96.48	96.73	31/03	6.83
EEC 3 92 DM	†0	100.26	100.31	22/08	3.56
Halifax BS 94 £	.1	99.62	99.68	9/05	9.6
Invt. In Industry 94 £	0	99.48	99.58	24/05	9.44
Midland Bank 01 £	.1	95.12	96.12	11/05	9.41
Milk Mkt. Brd. 5 93 £	0⅛	99.56	99.61	30/03	9
New Zealand 5 97 £	.07	99.39	99.49	18/05	9.44
New Zealand 5 01	0	99.14	99.24	4/08	6.98
Shearson Lehman Hlds 92	†0⅛	99.00	99.50	9/05	6.94
United Kingdom 5 92	0	100.08	100.14	7/04	7.12
Woodside Fin. 5¼ 97	0	99.00	99.10	28/04	7.13
Woolwich 5 95 £	0⅛	99.39	99.44	19/05	9½

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	97⅝	98⅝	+0¼	30.83
Alco Health 6¼ 01	†7/86	26.25	84	85	+0½	23.23
American Brands 7¾ 02	9/87	56.7	99¾	100¾	−0½	23.89
American Can Co. 5½ 02	4/87	66.75	68¾	69¾	+0¼	48.49
Ashikaga Bank 2⅞ 02	4/87	967	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 9[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CBS Inc [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuji [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gunma Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MCA Inc [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nec [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Omron T[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ranks Ho[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rutland T[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Ins[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W.R. Grace [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

R.Dutch/Shell up 64% last quarter

BY MAX WILKINSON

Shell Transport and Trading increased its dividend for 1987 by 11.6 per cent to 48p per share yesterday after reporting substantially increased profits in the fourth quarter.

For the Royal Dutch/Shell group as a whole, after-tax profit on a current cost-of-supplies basis rose 64 per cent to £982m in the final quarter of 1987 (compared with the same period in 1986). However, on a current cost basis net profit was down 15 per cent at £2.865bn for the year as a whole.

Royal Dutch decided to maintain its dividend for the year unchanged at Fl 12.80 per share. This decision was influenced by the low rate of inflation in the Netherlands and by the fact that a third of Royal Dutch's shareholders are in the US and will therefore have benefited from the fall in the value of the US dollar.

On a historic cost basis the group's net profit for 1987 was 14 per cent higher, at £2.883bn, than in 1986. This rise reflected the revaluation of stocks as the oil price stabilised at an average price $4 per barrel higher in 1987.

Shell's results were broadly similar to those of the other major integrated oil companies, showing a 20 per cent rise in net income from exploration and production, the consequence of higher oil prices, and a 32 per cent fall in profits from refining and marketing. This deterioration reflected the tightening of refining margins.

Shell's chemicals operations showed an impressive 64 per cent gain in net profits for 1987 at £764m, reflecting improved utilisation of capacity and firmer product prices.

The group generated £5.314bn in cash in 1987 (£7.510bn). The difference reflects the increase in working capital requirement resulting from firmer oil prices. By the end of the year the group's cash and short-term securities were reduced to £5.1bn (£6.4bn). However £1.5bn of debts were paid off, reducing the ratio of long-term debt to capital from 14 to 12 per cent.

Shell spent £4.38bn on capital projects and exploration – 6 per cent less than in 1986 – but the total for 1988 is expected to rise by 10 per cent, with about half spent on exploration and development. Exploration expenditure last year fell by 42 per cent to £576m. However, Shell says this reflected lower prices charged by contractors and economies made within the group rather than any significant reduction in volume. The Shell group's oil production for 1987 fell slightly to an average of 1.766m barrels a day, though gas production rose by 5 per cent to an average of just over 6.5bn cu ft per day.

● Shell said yesterday that it had received claims from users of 10,000 cars worldwide that Formula Shell leaded petrol had damaged engine valves. Mr Bill Bentley, director in charge of marketing, said this was a small number compared with the estimated 20m users of this type of petrol. The Formula Shell additive which was intended to improve engine performance, has now been withdrawn from leaded petrol. Mr Bentley said that Shell had suffered some loss of business, particularly in Scandinavia, but was recovering.

Operating companies are compensating car owners who can prove that engine damage was related to use of Formula Shell. Mr Bentley said the cost of repairs was about £200 per car.

See Lex

Kenning shapes up for TKM

BY DOMINIQUE JACKSON

A CONTINUED strong market for both new and second-hand cars helped Tozer Kemsley & Millbourn raise pre-tax profits by 47 per cent from £21.98 to £32.31m in the year to end-December 1987, on turnover up from £717m to £890m.

The directors of TKM, part of Mr Ron Brierley's BIL group, propose a final dividend of 1.5p making 2.1p (0.5p) for the year.

Mr Reg Heath, chief executive, said a swifter than expected turnround in the fortunes of the Kenning Motor Group, which TKM acquired in 1986, had helped to buoy profits.

The UK and French automotive subsidiaries performed well as did Kenning Car Rental.

A revaluation of the freehold and long leasehold property in the UK showed a surplus of £22.2m, helping to increase net assets per share by 39 per cent to 59p. Property sales in the US and Canada were also strong.

Mr Heath said the group had improved its balance sheet by reducing its overdraft in favour of a multiple option facility and this, combined with healthy cash flow, had reduced interest costs by a net 18 per cent.

Mr Heath was unable to give an exact figure for the costs incurred over the failure of the group's hostile bid last August for Molins, the cigarette-making equipment company, but estimated them at between £400,000 and £500,000.

Mr Heath said a 29 per cent stake in Molins was still held for investment purposes by IEP, another member of the Brierley group, and added that there were no plans to alter this in the near future.

After taxation of £10.77m (£8.05m), earnings per share rose by 23 per cent from 9.9p to 12.2p.

● **comment**

These figures include a full year from Kenning, which has shaped up extremely well since it joined the TKM stable. Many lax Kenning practices have been tightened up – TKM has shortened the stock turnround time for used cars, none of which now sit on any one forecourt for more than four weeks and, if not snapped up in eight are swiftly dispatched for auction. The robust health of TKM's key automotive divisions is aptly illustrated by brisk business at its Cooper BMW dealer subsidiary which has been flooded with orders for the new super-sleek 5 series – not yet available for test-drive. The balance sheet is also much improved. However, if TKM is planning another bid, it must select a target which makes more commercial sense than the abortive approach to Molins. Forecasts of £36m give a p/e around 7.5 and a soundacquisition could make the shares look extremely attractive.

Trimoco in £3.4m London expansion

BY CLAY HARRIS

Trimoco, Luton-based motor group, is to pay £3.4m for its first London dealership, Fry's of Lewisham, which holds the oldest Ford franchise in the capital. Fry's reported pre-tax profits of £512,000 on turnover of £14.4m in 1987.

The acquisition is to be funded through a new £9m medium-term loan facility arranged by Barclays. Trimoco will use an additional £2m of the facility to replace part of its existing borrowing, with the balance held in reserve for investment and future acquisitions.

Under the facility, which carries interest at 1.25 percentage points above Libor, Trimoco will have the flexibility to roll over interest and to defer principal repayments.

Mr Roger Smith, chairman, said the group expected a substantial improvement in Fry's profits

Microvitec recovers in second half

Microvitec, USM-quoted maker of computer peripherals, recovered strongly in the second half to December 31 1987 to record pre-tax profits up 23 per cent from £1.15m to £1.41m. Interim profits had fallen 22 per cent.

Mr David Burnet, chairman, who took over in December last year, said that the second half had been the best half year since 1964. The main contributors to the improvement had been the start in September of volume shipments of the Series 7 autoscanning monitor, the move into profit by the US offshoot and a 60 per cent increase in exports.

Turnover rose from £19.02m to £21.23m and earnings per 5p share came out at 3.5p (2.7p). An increased final dividend of 1p (0.75p) is recommended, making a total for the year of 1.5p (1.25p).

Directors said that the present year had started with record sales and a strong order book. They added that the company was in a market subject to sudden changes in demand.

The cash position improved during the year, Mr Burnet added. Net cash rose from £140,000 at the end of 1986 to £531,000 at the end of 1987.

The substantial increase in debtors simply reflected the much higher sales during the last few months of the year.

UK Paper staff to sell quarter of holding

By Maggie Urry

THE PROSPECTUS for UK Paper's £107.6m offer for sale, is published today. More than 70 employees backed the £38m management buy-out from Bowater Industries in September 1986 and they are selling about a quarter of their holdings. The issue of 8.5m new shares will raise £10m for the company.

UK Paper has a leading position in the quality printing paper market which has been growing rapidly in recent years. Between 1980 and 1987 the average annual growth rate has been 6.6 per cent, with two-side coated paper showing a growth rate of 13.5 per cent a year, boosted by strong demand for paper suitable for colour printing.

However, the UK market is dominated by imports. About 70 per cent of two-side coated is imported, while UK Paper supplies 17 per cent.

At the offer price of 135p, the shares are rated on an historic p/e, using a notional full tax charge, of 10.7 and gross yield of 5.1 per cent.

● **comment**

Every fund manager knows that the paper industry is desperately cyclical, a fact born out, at first glance, by UK Paper's record of losses converted to profits since the buy-out and the exceptional market conditions of the past two years. But that is too simplistic a view of UK Paper. Sticking to the non-commodity and fast growing end of the industry and with the most efficient technology it should avoid the roller coaster. It even makes a virtue of its lack of in-house pulp supplies, arguing that it can switch production to better selling areas more efficiently than its integrated competitors. However, there is sufficient capacity coming on stream to cope with market growth of 8 per cent a year. Should there be a slowing of the fast expansion rate even this sector could suffer the effects of competition. The pricing of the issue has taken full account of the risks. On the most conservative 1988 forecast and using a full tax charge, the prospective p/e is 9.5 which should attract some stags. In the longer term, UK Paper will have to earn itself a track record in much tougher times than now.

Frederick Cooper

Frederick Cooper directors said that of the 10.58m convertible 10p preference shares offered by way of rights, 84.7 per cent have been taken up.

Cadbury Schweppes meets City expectations with 35% advance

BY LISA WOOD

Cadbury Schweppes, soft drinks and confectionery group, yesterday reported pre-tax profits of £176.1m for the year to January 2 1988, an increase of 34.7 per cent on the previous year.

The results, from a business which is now concentrating on its two core activities, were adversely affected to the tune of £10m by exchange rates but still fell broadly in line with City expectations and showed a particularly strong performance from the confectionery division.

General Cinema, the US group, has built up a 17.7 per cent stake in the company, which has prompted periodic bid speculation. But Sir Adrian Cadbury, chairman, said yesterday: "1987 is an endorsement of the board's strategy and its management. I see no sign of any let-up in 1988, a year that has started confidently and well."

Earnings per share, at a record 19.05p, rose by 33.4 per cent and the directors propose a final dividend of 5.9p making a total for the year of 8p (6.7p).

Total sales increased by 10.4 per cent to £2.03bn with the confectionery division contributing £877m and beverages £1.15bn. Trading profit, at £180.6m, increased by 28.6 per cent with confectionery contributing £91.3m and beverages £89.3m.

The biggest single percentage increase in trading profit came from North America. Dr Pepper, the soft drinks business in which Cadbury has a minority stake, contributed a first time £2m while the group's confectionery business turned a £2.1m loss into a £3m trading profit.

Trading margins increased in all the group's geographical regions except the UK where margins were dented by some £5m-£10m of one-off costs incurred by the new joint venture, Coca-Cola & Schweppes Beverages, set up last year. CC&SB yesterday announced a new £50m soft drinks production plant – Europe's largest – at Wakefield, West Yorkshire.

● **comment**

Cadbury Schweppes is running hard with or without the spur of General Cinema. Earnings growth is coming organically, bolstered by heavy marketing spend, and from strategic asset management, with the disposal of periphery operations. A tough look at its North American confectionery business, where it has an eight per cent market share has resulted in an encouraging £5m turnround, although there are still unresolved problems with the under-utilised Hazelton plant. The acquisition of Chocolat Poulain in France forms a useful beach-head into the European confectionery market but Cadbury is not underestimating the competition on the Continent. Soft drinks performed well world-wide, although there have been sizeable teething problems with the new UK joint venture with Coca-Cola. But confidence in the joint business, which has taken market share away from Britvic Corona, is indicated by yesterday's announcement of a new production plant, operational by late 1989. Margins in this business could eventually double. Analysts are looking for full year pre-tax profits over £210m, putting the shares, down 3p to 267p, on a prospective p/e of 13.

George Armitage still receptive to approaches

BY DOMINIQUE JACKSON

George Armitage & Sons, privately-owned Wakefield brick manufacturer, said it had received a number of approaches from parties interested in making an offer for it, after industrial conglomerate Hanson formally abandoned its bid plans earlier this week.

George Armitage, founded in 1842 and still family-run, put itself up for sale last autumn.

An agreed £69m bid from Hanson lapsed on referral to the Monopolies Commission last month and Hanson said on Tuesday it would abandon the planned acquisition at the request of Armitage.

Mr Geoffrey Armitage, chairman, said then that the company would seek a bid of a similar magnitude to the Hanson offer. Samuel Montagu, financial advisors to Armitage, are having ongoing discussions with the Office of Fair Trading to ensure that any new bids do not encounter the same problems as the abortive Hanson deal.

Among the parties thought to be interested in acquiring Armitage are fellow brick maker Ibstock Johnsen, cement group Blue Circle and the tile and buildings material manufacturer Marley.

Drayton Japan rethink

BY NIKKI TAIT

DIRECTORS of Drayton Japan, the £260m MIM-managed investment trust, said yesterday they were disappointed with the outcome of Wednesday's EGM – at which shareholders backed a resolution calling on the board to form discount-eliminating proposals with a full cash option – and regretted that its own split level reconstruction scheme had "never been allowed to get off the ground."

"The board would have to reconsider its position, said Mr Nicholas Johnson, a director. "I think we've made clear our distaste of unitisation and liquidation," he added, "but the next set of proposals will have to be watertight."

Speyhawk buys eight properties

Speyhawk Land & Estates, part of the Speyhawk group, has acquired eight properties around the south-west sector of the M25 motorway from the National Bus Company for about £10.5m.

The eight properties are at Addlestone, Dorking, Godstone, Guildford, Leatherhead, Reigate, Staines and Warlingham.

Edinburgh Financial up to £0.8m

THE REORGANISATION at Edinburgh Financial Trust is substantially completed, redeveloping it from an investment trust to a specialist financial services group.

This was reflected in the results for 1987 which disclose a pre-tax profit of £810,000, against £47,000. In the year it completed the acquisitions of First Northern Corporate Finance and Stanecastle Assets, and increased from 29 to 47 per cent its holding in City of Edinburgh Life Assurance.

Rate of expansion in corporate finance and related investment exceeded expectations at the time of acquisition. The two months of 1988 were particularly busy and the directors were confident that market share would keep expanding.

Assets finance business started writing hire purchase and leasing contracts last July. Progress had been pleasing as that activity was not planned to make an adequate return on capital until 1989.

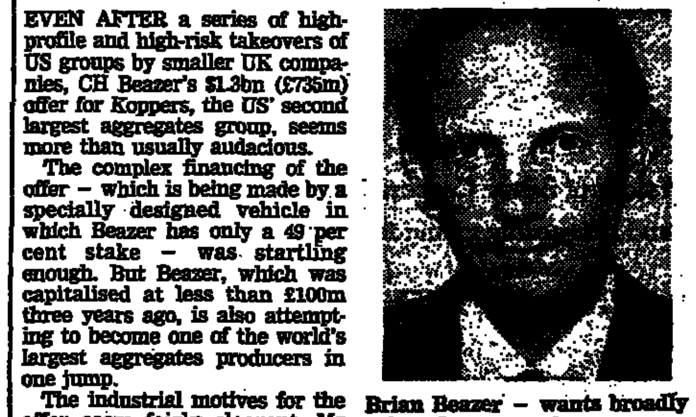
Below the line there were realised gains on the investment holding portfolio of £331,000 and an extraordinary debit of £233,000, leaving the attributable profit of £767,000 (£11,000) for earnings of 2.5p (0.04p). The final dividend is 0.25p making 0.35p on increased capital (0.6p).

Philip Coggan outlines Beazer's $1.3bn offer for Koppers

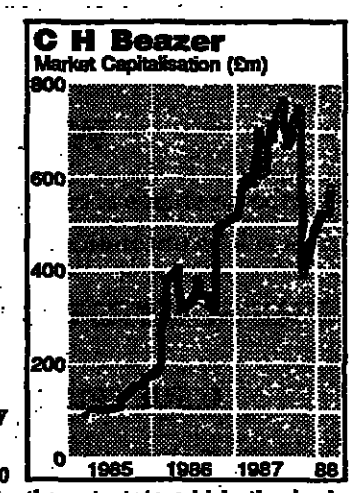
Building an empire the daring way

EVEN AFTER a series of high-profile and high-risk takeovers of US groups by smaller UK companies, CH Beazer's $1.3bn (£735m) offer for Koppers, the US' second largest aggregates group, seems more than usually audacious.

The complex financing of the offer – which is being made by a specially designed vehicle in which Beazer has only a 49 per cent stake – was startling enough. But Beazer, which was capitalised at less than £100m three years ago, is also attempting to become one of the world's largest aggregates producers in one jump.



Brian Beazer – wants broadly based construction group



The industrial motives for the offer seem fairly clearcut. Mr Brian Beazer, chairman, has made it clear for some time that he wants the company to become a broadly-based construction group.

He has thus diversified from the company's original and highly profitable housebuilding business into contracting – via 1986's purchase of French Kier – and aggregates. With the UK aggregates sector carved up between the major players such as RMC and Tarmac, Beazer's obvious option was to move into the US.

In this, Beazer was merely following in the footsteps of other UK building companies such as Redland, Marley and Blue Circle all of which have made substantial US acquisitions. Beazer's first move – the $283m purchase of Gifford-Hill – immediately gave it the US' sixth-largest cement producer.

"UK building groups are attracted to the aggregates business for two main reasons," explained Mr Kevin Cammack, a building analyst at Smith New Court. "First, because aggregate reserves are limited by environmental considerations, there is an intrinsic tendency for them to increase in value. Second, extracting the aggregates is not capital intensive and customers are usually supplied on a regular basis, for cash settlement. As a result, the business is a good cash generator."

Koppers owns some 2.6bn tons of stone reserves, 218m tons of sand and gravel reserves, and operates just under 150 quarries and pits. It adds up to about 30 years of reserves at current consumption rates.

Although the US construction industry is generally perceived to be at the peak of its cycle, Mr Beazer argues that the outlook for the company is good for the next two years at least.

First, Koppers' two main markets are New York state and southern California, two of the four biggest construction markets in the world. Second, about half of Koppers' sales are to the road construction industry which is partly funded by local gasoline taxes and is thus less likely to be hit by any federal budget deficit cuts. And third, Beazer says Koppers' operating margins last year were only half those of its competitors, indicating scope for considerable improvement.

Beazer has never been afraid to go for the big acquisition. Indeed, such was Mr Beazer's enthusiasm for issuing paper, culminating in the 1986 2-for-3 rights issue to buy Gifford-Hill, that it contributed to an eventual shareholders' revolt.

A planned $80m American Depositary Receipt issue last year had to be scaled down by half in the face of institutional disquiet over the dilution of pre-emption rights. Mr Beazer indicated at the time of 1987's preliminary results that the days of large equity issues had come to an end.

It was thus inevitable (and doubly so since the stock market crash) that this deal would have to be debt-financed – although the extent to which the banks have committed themselves to the Beazer cause is still fairly unusual. Mr Beazer outlined the terms yesterday.

The offer is being made via a specially-created company – BNS – which has been given $225m of equity capital via the injection of $175m of preference stock and $24.5m of ordinary stock by Beazer and a further $25.5m via Shearson Lehman and Nat West Investment Bank.

The result is that Beazer ends up with just 49 per cent of the ordinary equity, enabling it to keep BNS' debt off its balance sheet, although the deal hardly seems in the spirit of yesterday's Accounting Standards Committee document on off-balance sheet finance.

There will be plenty of BNS debt – $1.1bn to be precise. Citibank has agreed to lend up to $850m and to use its best efforts to syndicate a further $320m of loans. Shearson Lehman will provide bridging finance and is committed in principle to organising $465m of subordinated debt, or in certain circumstances, preferred stock.

Once in charge of Koppers, Beazer will attempt to repair the shaky state of the balance sheet. The chemical and allied products division, which does not fit with Beazer's construction ambitions will be sold, along with some property. Such disposals could net around $500m.

In addition, Koppers' assets will be revalued. Shareholders funds are about $450m but the aggregate reserves are on the balance sheet at about $100m. There may be scope to revalue the group's assets nearer to $800m, effectively eliminating the problem of writing off goodwill.

However, a revaluation of Koppers' assets will create a new problem – depreciation. The charge on $800m of assets might be more than $20m a year, a hefty drain on profits which will also be hit by financing costs. The bridging finance from Shearson Lehman will carry a coupon of Prime plus 5 per cent, the Citicorp loans Prime plus 1.5 per cent.

In the light of all that, analysts were saying that the acquisition would at best leave earnings undiluted this year. And with the US markets speculating on up to $60 per share as the winning price, the sums could get even more complicated.

UK COMPANY NEWS

BOC sued for $10m in row over sale of plants

BY CLAY HARRIS

Horsehead Industries, a privately owned US company, yesterday sued BOC Group, the UK-based industrial gases producer, for deciding to sell its carbon graphite operations to a management-led consortium and a Japanese chemical company rather than Horsehead itself as agreed last July.

In a suit filed in New York state court, Horsehead is seeking $10m (£5.65m) in punitive damages as well as actual damages for the "abrupt and unilateral rejection" of the original purchase agreement.

On Wednesday, BOC announced the sale of two graphite electrode plants and two other facilities to a consortium led by a BOC director in a deal valued at $140m and another electrode plant to Showa Denko, the Japanese group, for $100m.

BOC last night said the suit was without merit and any proceedings would be defended.

Horsehead stressed, however, that US regulators had not yet ruled on either the original deal or a revised offer which excluded one of the carbon electrode plants. A definitive ruling had been expected within a week.

Naming Mr Richard Giordano, BOC chairman, and Mr Jim Baldwin, a BOC director and buy-out leader, as well as the company itself, the Horsehead suit claims that BOC and others had defrauded it by "repeatedly representing that it would sell" the business to Horsehead when they had no real intention to do so.

Horsehead said yesterday it had made an offer at book value for two electode plants and the needle coke plant eventually sold to the buy-out consortium.

However, BOC said: "Horsehead's most recent offer for part of the assets was rejected in favour of the leveraged buy-out proposal announced yesterday."

Horsehead said: "We found out that while our respective counsels were concluding the negotations with the Justice Department, the Baldwin group was secretly negotiating with others. Essentially we appear to have been used as their unpaid and unwilling investment advisers on this deal."

Phillips buys Christie's stake

BY FIONA THOMPSON

Phillips Son & Neale, privately-owned auctioneer, has acquired 1.6m ordinary shares in Christie's, giving it a 3.98 per cent stake in the company.

Mr Christopher Weston, Phillips chairman, said the shares had been purchased purely as an investment. Phillips was not interested in launching a bid for its much bigger rival, he stated. However, Christie's shares closed 30p up last night at 584p.

The 1.6m shares were sold by Robert Fleming Nominees on behalf of Al Futtooh Investment of Kuwait, which, prior to the sale, held 3.31m Christie's shares, representing an 11 per cent stake.

Christie's said last night that the shares purchased by Phillips, together with shares already owned by the directors of Phillips and their wives, represented approximately 5.06 per cent of the ordinary and 3.98 per cent of Christie's total share capital.

Mr John Floyd, Christie's chairman, said that while he was sure the stake would be "a rewarding long-term investment for Mr Weston and his associates, we would not welcome any increase in these holdings."

Mr Floyd said he saw no commercial or strategic logic in any link between the two companies.

This was a pity, Mr Weston responded. "Our stake is intended as a friendly investment, nothing more. If they don't welcome it that's rather sad." Mr Weston added that he would consider "all the options" if further Christie's shares became available.

The two auctioneers have links going back to the 1790s. One Harry Phillips, the founder, had been clerk to James Christie for 13 years before deciding to set up on his own in 1796.

Christie's turnover last year was £631m. Phillips was £77m.

Nimslo shares suspended

By Heather Farmbrough

Shares were suspended yesterday in Nimslo, the loss-making 3-D photography company quoted on the USM, following an announcement that the company is ready to acquire Oil & Gas from Nimslo's majority shareholder, Fred Olsen, the Norweigan shipping line. This is part of a plan to inject long-term finance into the struggling company.

Oil & Gas commissions and maintains offshore oil platforms, mainly in the North Sea.

As a result of the deal, Fred Olsen will have an 80 per cent interest in the combined company. Fred Olsen will also convert its $7.2m (£4.07m) of non-interest bearing promissory notes into ordinary Nimslo shares to eliminate long-term debt from Nimslo's balance sheet. The deal will be subject to the approval of the minority shareholders who hold 30 per cent of the equity.

Nimslo will finance the acquisition by the issue of new shares. Oil & Gas will provide some underlying profitability to the business over the short term, while Nimslo completes its new, cheaper 3D camera. "There will be no real change at Nimslo as a result of the acquisition," said Mr James Davidson, chairman.

WPP beats expectations at £14m

BY NIKKI TAIT

WPP, the UK marketing services group which last June sealed an audacious $351m bid for prestigious New York ad agency and PR company, JWT Group, yesterday exceeded City expectations with pre-tax profits of £14.12m in 1987.

The profits are scored on turnover of £284.1m. In 1986, before the JWT acquisition, WPP made profits of £1.78m on sales of £23.7m. At the earnings per share level, the 1987 figure is 32.1p, against an adjusted 13.2p in the previous twelve months. The market – which has been nudging up the shares ahead of the figures – responded by adding another 11p at 535p.

The figures include a five and a half month contribution from JWT – which owns the prestigous J. Walter Thompson agency – and during that period the US group contributed £5.86m to the pre-tax total. During the entire year, JWT's revenues rose from $645m to $700m. On the question of account losses at the J. Walter Thompson agency, WPP says that $460m-worth of billings were lost in 1987, but that more than $330m of new billings were gained. The net loss, argues WPP, represents only 2 per cent of the group's pro forma revenues of $900m, assuming 15 per cent agency commission.

On a directly comparable basis, the operating margins overall have risen from 5.5 per cent to 7.5 per cent. WPP adds that there has been improvement at both J. Walter Thompson and Hill and Knowlton since June, reflecting better than expected revenues as well as cost controls.

Below the line, WPP incurs a £8.81m tax charge, but no extraordinary items. There is a final dividend of 4.9p, making 6.4p for the year (3.2p).

● **comment**

WPP's capacity for pleasant surprises on the figures front seems undiminished, and the outperformance of analysts' profit forecasts by £1m-plus was due to better-than-expected results on both sides of the Atlantic. The test, however, was never going to be a short-term one. So far, chief executive Martin Sorrell looks well on course, and if the debt is effectively halved before end-1988, the interest saving would translate into an additional 6p-7p worth of earnings next year. The two question-marks – the extent to which additional margins can be wrung from JWT without upsetting staff and clients, and the potential impact of any recession in the US – were never going to be addressed by these figures. Still, the bulls point to forecasts of 8-9 per cent growth in US media spend this year, and even the cautious Mr Sorrell remains happy with the 10 per cent margin target for JWT by 1990. If estimates of £31m-£33m pre-tax in 1988 are correct, the shares stand on 12 to 13 times multiple. That is a far cry from the heady pre-crash ratings and, although a slight premium to the sector, tends to underestimate JWT's potential and Mr Sorrell's skills.

Questel advances 23%

DEMAND FOR the company's main product, Supercall, proved sustained and substantial and helped Questel increase full-year profits by 23 per cent from £1.17m to £1.44m.

Turnover for this USM-quoted telecommunications manufacturer improved 24 per cent in the year to the end of October 1987 to £4.6m (£3.71m). Earnings per 10p share came out at 20.5p (16.5p) and the directors are proposing a final payment of 3p (2.55p) making 5.4p (4.75p) for the year.

Mr Alfred Minter, chairman, said that the year had seen the value of Supercall coming through in the accounts and that the present year had started with a reasonable order book.

He added that during the year the infrastructure for the next phase in the company's growth had been built up. Engineering and marketing resources had been increased significantly.

The encouraging start to the present year augured well for another year of solid progress.

Gross profit was £1.98m (£1.62m). Tax took £513,000 (£432,000) and dividends absorbed £242,000 (£213,000).

StanChart Australia up

BY DAVID LASCELLES

Standard Chartered Bank Australia, the Australian subsidiary of Standard Chartered, increased net profits by 45.3 per cent last year to A$11.2m (£4.6m), after making A$3.5m in provisions. Nearly half the profits of the Adelaide-based group came from its finance company arm. Total assets rose by 33 per cent to A$1,999m.

Mr Peter Cameron, managing director, said he expected returns from the group's operating divisions to increase as they become more involved in trade and investment opportunities in the Asian region. The results were the group's first for a full year since receiving a commercial banking licence in Australia.

ML rights result

ML Holdings has received acceptances in respect of 10.88m shares, 89.3 per cent of the 12.18m issued under the rights offer. The balance has been sold in the market at a premium.

Sheldon Jones falls sharply at midterm

Pre-tax profits at Sheldon Jones in the six months to November 30 1987 fell from £241,000 to £30,000, on turnover down 15 per cent from £7.17m to £6.06m.

The directors of this USM-quoted animal feed maker and crop products supplier said that, as expected, trade continued to be adversely affected by reduced milk quotas and the consequent drop in demand for compound feeds. And the programme of plant modernisation and cost reduction would not become fully effective until the next financial year.

However, Pascoe's, cat and dog food manufacturer acquired last September, had continued to make progress and its future was promising. An extraordinary item of £126,000 was for the sale of the premises at Mosterton Mill.

The interim dividend is being held at 1.35p on earnings per share of 0.37p (3.07p).

Ratcliffs progress

Continued improvement was made by Ratcliffs (Great Bridge), and for 1987 this maker of brass and copper strip has reported a profit of £425,000, compared with a loss of £1.03m.

Sales rose to £33.62m (£32.3m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
BBA ......fin	2.8†	-	1.5	4	2.5
Bellwinch ......int	1.1	Apr 15	–	–	1
C'bury Schweppes..fin	5.9‡	-	4.9	8	6.7
Edinburgh Fincl ....fin	0.25	–	0.1	0.35†	0.6
Fife Indmar ......fin	2.75	-	2.75	3.5	3.5
Jos Holdings ......int	1.05	Apr 5	0.96	–	3.67
Kleinwort Devlpt...int	2	–	2	–	5
Kleinwort Small ....fin	6.35	–	6.15	9.7	9.2
Lex Service ......fin	7.2	Apr 14	6.5	11.7	10.6
Macro 4 ......int	1.6		1.13	-	2.8
Microvitec§ ......fin	1	Apr 25	0.75	1.5	1.25
Questel § ......fin	3	Apr 12	2.55	5.4	4.75
Ratcliffs(G.B.) ......fin	0.75	-	0.75	1.25	1.25
Royal Dutch Pet ....fin	8.3♣	–	8.3	12.8	12.8
Sheldon Jones § ....int	1.35	-	1.35	-	4.65
Shell Transport ....fin	31.5	May 16	29.5	48	43
Tozer Kemsley ......fin	1.5	-	0.5	2.1	0.5
Wickes ......fin	0.67	July 7	-	1★	-
WPP ......fin	4.9	July 1	1.95	6.4	3.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. #Third market. ♣In Dutch Fls, subject to withholding tax. ‡Carries scrip option. ★For eight months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bolton Textiles, Britannia Security, Irish Glass, Kleinwort Benson International Income Fund, Polytechnic Electronics, Triton.
Finals- Greenwich Communications, Hawley, Sale Tilney.

FUTURE DATES

Interims-

Arenson	Mar 10
Armitage Brothers	Mar 16
Barratt Developments	Mar 23
Inter City Holdings	Mar 11
London and Strathclyde	Mar 21
Pineapple	Mar 10
Shires Investment	Mar 15
Stanhope	Mar 22

Finals-

Alexandra Workwear	Apr 6
Antler	Mar 10
Automated Security	Mar 24
Brent Chemicals	Mar 28
Brixton Estates	Apr 21
CCF	Mar 17
Collins (Wm)	Mar 10
DRG	Mar 16
Daras Estates	Mar 8
Edinburgh Fund Managers	Mar 14
Flotax	Mar 24
Ibstock Johnsen	Apr 7
Legal and General	Mar 17
Persimmon	Mar 7
Pittard Garnar	Mar 9
Suter	Mar 21
Woolworth	Mar 23

UK COMPANY NEWS

Mountleigh to take 49% stake in Bugge Eiendoms

BY MARTIN DICKSON IN LONDON AND KAREN FOSSLI IN OSLO

Mountleigh, the fast-growing property and investment group, announced yesterday that it had reached agreement to buy a 49 per cent stake in Bugge Eiendoms, the financially troubled Norwegian property company. It will also purchase its UK assets for NK255m (£22.63m).

The deal is dependent on a proposed financial reconstruction of Bugge. Mountleigh will pay a nominal £1 for its 49 per cent stake and subscribe NK100m for new shares as part of the reconstruction, which will also involve creditors converting NK175m of their claims into equity.

Mountleigh announced last November that it had taken an option on 63 per cent of Bugge's equity. Mr Tony Clegg, the chairman of the UK company, said yesterday that the plan was still to go to this level eventually.

Mr Clegg said yesterday he believed that no other non-Norwegian company had managed to get a stake in a Norwegian property company.

Reports from Norway suggested that legal complications involving Bergen Bank, one of Bugge's major creditors, might hold up the deal, but Mr Clegg insisted there were no legal inhibitions.

Mountleigh, which has not guaranteed the liabilities of Bugge, said that in the wake of the financial reconstruction the Norwegian company was expected to have net assets of approximately NK120m. After the reconstruction, Mountleigh will try to have Bugge's shares relisted.

Automotive side behind 77% jump at Lex

By Fiona Thompson

Lex Service, the vehicle and electronic components distributor, increased pre-tax profits by 77 per cent to £47m for the year ended December 27 1987. The advance from £26.6m was made on turnover ahead to £1.44bn (£1.11bn). Earnings per share almost doubled to 33.9p from 17.3p.

The electronic components businesses returned to the black after two years of losses, reporting a £4m operating profit compared with a £4.5m loss last year. But the bulk of the advance came from automotive distribution, up from £38.2m to £52.7m.

The automotive businesses had an outstanding year, said Mr Trevor Chinn, chairman and chief executive. Volvo Concessionaires registered 70,880 new cars in 1987, a record for Volvo sales in the UK. Lex Brooklands and Lex Mead, the two automotive retail companies, produced excellent results and the Sears Motor Group, acquired last year, increased profits over 1986 levels.

"This acquisition made us the largest retailer in the UK and we look forward to further improvements in profitability now that these businesses have been consolidated," he said.

As for electronic components, increased sales volume, both in the US and Europe, combined with rigorous cost control, produced the improvement, said Mr Chinn.

Schweber, the company's major component distributer, made the major contribution to the US operation which reported a £3.4m profit, compared with a £3.1m debit last time. The UK business went from a £600,000 loss to a £800,000 profit. The West German and French businesses made nil profits, against a £890,000 loss.

On current trading, 1988 has started well for the automotive business, said Mr Chinn, with the UK passenger car market reaching new record levels and Volvo registrations again up.

The tax charge was £16.4m, against £12.8m. Interest payable rose from £2.8m to £6.6m and corporate overheads took £7.5m (£5.8m). A final dividend of 7.2p was recommended, making a total for the year of 11.7p (10.6p).

● **comment**

Lex is clearly making headway in turning round its electronic component businesses but the crucial issue is the future stability – or not – of the semiconductor market. It may be buoyant at present but it is notoriously volatile and any downturn in the US economy is a significant risk factor. On the automotive side the trend is positive, with healthy demand so far this year. Sears turned in £5.6m to 1987 profits, and that was three months short of a full year contribution. A small concern is that profits growth from Volvo may be limited by Volvo's capacity shortage, especially of big estate cars, following a strike. The big concern always is the cyclical nature of both sides of the business. That said, the shares closed 17p up at 340p last night. Forecasts of £60m pre-tax profits for this year produce a prospective p/e of just under 8, fairly cheap.

Fife Indmar 28% downturn

Fife Indmar, Scottish-based engineer, revealed a 28 per cent contraction in pre-tax profits to £217,000 in the 12 months to end-December, on turnover virtually unchanged at £12.78m.

The directors said that losses in the fabrication division more than offset gains made elsewhere. The closure of the division resulted in an extraordinary charge of £176,000.

Tax took £129,000 (£108,000). A maintained final dividend of 2.75p is proposed, again making 3.5p for the year, from earnings per share of 1.46p (3.31p).

Macro pushes up midterm profits 35%

BY DOMINIQUE JACKSON

Macro 4, computer software company, saw pre-tax profits grow by 35 per cent, from £1.71m to £2.31m, for the half year to end-December 1987 on turnover up from £4.25m to £5m.

The company, which develops and markets systems for IBM and IBM-compatible mainframes, was thwarted in its bid to make a long-expected US acquisition by October's stock market crash.

Mr Terry Kelly, managing director, could not name the acquisition target but said the deal would have made the merged companies the third-largest force in their sector worldwide.

The directors decided to halt proceedings following the revaluation of both companies after the crash, and have written off as an extraordinary item an estimated £450,000 in acquisition costs.

Strong trading results boosted cash balances by £1.3m in the half year to £5.9m at end December 1987. Mr Kelly said Macro 4 continued to consider acquisition possibilities.

The interim dividend is increased from 1.125p net to 1.6p.

US subsidiary Macro 4 Inc accounted for 42 per cent of turnover. The adverse impact of the dollar slide was offset by foreign exchange operations on which the company made over £100,000 in the half-year.

Although the US market remained significant because of its absolute size, Mr Kelly said European markets were gaining in importance because they were relatively unpenetrated.

The Italian subsidiary doubled turnover and was expected to start contributing to group profits within the next few months.

The licensee in Spain, which has a potential market as large as the UK, showed the fastest growth and the company was planning to enter the Portuguese market shortly.

Mr Kelly said Macro 4 was well on target to maintain levels of profit growth in the current year.

● **comment**

The surprisingly high figure written off in connection with the US bid suggests that Macro was on the brink of clinching the deal with groundwork all done, documents printed etc. The takeover, a massive one which would have tripled Macro's US market share, is not necessarily off but is certainly suspended indefinitely. This unwillingness to jeopardise shareholders' interests is characteristic of Macro's directors who, faced with a growing cash mountain, have raised the dividend generously. Sales growth in the key US and UK markets was limited to a dull 22 per cent and Macro is judiciously broadening its geographical spread. The predicted doubling of the market with the advent of the new IBM 9370 has been tempered by slow deliveries but each machine installed furnishes yet another effortless order for Macro. With forecasts for £5.5m and prospective multiple around 17, the shares are at a small but well-justified premium to the sector.

Acquisitions lift BBA to £41m

BY ANDREW HILL

BBA Group, motor component and industrial materials company, increased pre-tax profits by 55 per cent to £41.2m for the year ending December 31 1987.

Earnings per share rose to 15p (10.2p), ahead of most expectations, and a recommended final dividend of 2.8p makes 4p (2.5p) for the year.

Full year contributions from Automotive Products (AP) and Brake & Clutch Industries Australia, component subsidiaries bought in 1986, were responsible for most of a 21.6 per cent increase in sales to £672.6m (£553.2m).

Both AP and Mintex Don, manufacturer of automotive friction products, increased profits following a major rationalisation programme. Gross margins in the automotive division, which contributed 80 per cent (73 per cent) of operating profits, rose from 6.2 per cent to 7.3 per cent.

Overseas sales, including exports, increased to £458.5m (£380.5m), again making up about 68 per cent of turnover.

The pre-tax profits included exceptional losses of £5.1m. Losses for currency translation, made at year-end rates, accounted for £2.1m, while £3m was spent on rationalisation in the friction, automotive and industrial textiles divisions.

Past tax losses in the UK, where profits increased last year, led to a reduction in the tax charge from nearly 37 per cent to about 28 per cent.

Mr John White, managing director, said he would be looking for a major acquisition in the non-automotive field during 1988, with the aim of reducing the motor component division's 84 per cent share of turnover to 81 per cent by the end of the year.

He said BBA would continue trying to squeeze margins and look for small acquisitions complementary to existing interests. Within the last year BBA has spent £58.3m on 11 businesses with total annual sales of £67.5m.

● comment

Mr White and BBA seem to be back in favour. After 18 months defending himself against criticism of his purchase of AP, Mr White can show the City much improved earnings, gearing down from 42 per cent to 29 per cent and some very prudent accounting. The cost of reorganisation at many of BBA's overseas factories has been included in this year's accounts and benefits should appear this year, while the group's policy of funding overseas acquisitions by borrowing in local currency seems set to avoid the worst effects of exchange rate movements. Meanwhile, for pessimists still forecasting an automotive downturn, BBA points out that 50 per cent of its sales are in the buoyant replacement market and its geographical spread allows it to switch production from country to country according to the customer's requirements. BBA shares closed up 2p at 165p yesterday; with pre-tax profits for this year expected to top £52m, the shares look slightly undervalued on a prospective multiple of about 9.

British Gas US issues to fund Bow Valley buy

By Steven Butler

British Gas is planning two long-term guaranteed debt issues in the US for £150m and $250m each that would help fund its acquisition of Bow Valley Industries, the Canadian oil and gas exploration company.

British Gas said yesterday that it had filed the necessary papers with the US Securities and Exchange Commission. Net proceeds of the issues would be to repay some of the short-term borrowings raised in connection with the acquisition.

The £150m issue of guaranteed notes will be due in 1998, and will not be redeemable prior to maturity.

The $250m issue of guaranteed debentures, due in 2018, will be redeemable at any time at prices specified in a prospectus for the issue.

Wickes beats forecast after interest on buy-out funding

BY MAGGIE URRY

Wickes, the home improvement retailer, yesterday announced its first annual results since the £120m management buy-out in May 1987. Then it forecast a pre-tax profit for the year to end January 1988 of about £9m, and this has been exceeded by £745,000.

However, Wickes has changed the year end to December and its 1987 pre-tax profits were £5.69m compared with £6.52m in 1986, both on a pro-forma basis.

On that basis sales increased by 25.3 per cent to £178.1m, and operating profits rose to £9.59m, up 47.2 per cent. An interest charge was estimated at £3.05m (nil) largely payable on the £30m of debt taken to help finance the buy-out.

Mr Henry Sweetbaum, chairman and chief executive, said he was particularly pleased that profits rose despite the interest charge. Of the £30m of buy-out related debt about £15m had now been repaid, and a large part of the rest could be repaid in 1988 from cashflow.

The UK operations benefited from the acquisition of Builders Mate in September 1987, which turned round to a small profit. The Dutch operation made £730,000 (£372,000) and Belgium produced £1.37m (£1.14m). Wickes plans to expand into northern France from Belgium.

The final dividend is 0.67p making 1p for the eight months trading period.

● comment

Wickes, with its bias towards large-scale projects such as conservatories and swimming pools, manages to beat the other DIY retailers hands down on the main operating ratios. Even so Mr Sweetbaum refuses to join the rush for expensive properties, a restraint which should pay off in the long term and does not seem to be slowing expansion in the short term. More acquisitions like Builders Mate can be expected, and Wickes reckons there is room for 75 large and 200 small stores in the UK. A new distribution system is being set up which will allow stockroom space in stores to be converted to sales area. On current forecasts of around £9m pre-tax, excluding property profits, and with the shares at 275p, up 3p yesterday, the prospective p/e of about 19 is looking as expensive as usual.

Bellwinch rises to £3.5m despite Docklands hiccup

A £1.2m advance in pre-tax profits was achieved by Bellwinch, housebuilder, in the half year ended December 31 1987. Progress in its four regions was good, the directors said, despite a hiccup in London Docklands following the October stock market crash.

Turnover in the period rose from £14.82m to £15.34m while profits amounted to £3.5m, a 54 per cent lift on the previous £2.28m. Earnings worked through at 7.3p (5.9p) and an interim dividend of 1.1p is declared.

Mr Robert King, chairman, said he expected the year's profit on housebuilding to be satisfactory and in line with budget. The half-time profit included over £1m surplus on the sale of a warehouse awaiting redevelopment, though further profit on sales of undeveloped land were not expected before the year-end.

Demand for the company's homes remained strong, and forward reservations in the three regions outside London were maintaining their healthy position. The number of units completed was again 235 and the average selling price £73,009 (£70,953).

Referring to the London end (comprising Docklands, Essex and Kent) Mr King explained that the division suffered a short-term reduction in forward reservations towards the end of the period on the Clippers Quay, Docklands, site. However, since January, reservations have been at a rate which would enable the division to reach its budgeted number of completions by June.

In view of the reduced demand generally for Docklands properties, the board delayed marketing one development so as to preserve profits for the future. To compensate for that adjustment, the warehouse was sold.

Mr King remained confident that the involvement in Docklands would continue to contribute to profit, although declining in proportion on account of the increasing activity in the other regions.

Substantial investments were made in new sites in Swindon, Trowbridge, Oxford, Norwich, Southampton, Milton Keynes, Bournemouth, Thamesmead and the Isle of Wight.

Star Computer edges up

Star Computer Group saw profits edge up from £331,000 to £345,000 for the six months to December 31 1987. This was achieved on turnover up 25 per cent from £4.87m to £6.09m.

Tax rose to £121,000 (£91,000), and earnings per 10p share dropped to 3p (3.5p).

The directors said that the group, which is a supplier of computer equipment and software, had invested heavily in laying the foundations for future growth and had set up a new distribution centre in Watford.

The growth in UK pre-tax profits of more than 30 per cent was not matched by those of Star Computers (Ireland), which suffered a loss of £95,000 due to difficult trading conditions. The directors said that steps had been taken to rectify the situation and they anticipated the operation would achieve breakeven in the second half.

The directors maintained that the new generation of software developed by the group for practising accountants would attract substantial orders, and some of the benefits would be seen in the full-year results.

Kleinwort Dev Fund

Kleinwort Development Fund interim dividend is unchanged at 2p on earnings of 3.35p (2.77p) for the half year to January 31 1988. Investment income totalled £364,000 (£287,000). Net asset value per share 263.87p (218.79p).

Kennedy Brookes buys rest of Poetfield

BY DOMINIQUE JACKSON

Kennedy Brookes, the hotel and restaurant group, yesterday announced it had agreed to acquire the rest of the issued share capital of Poetfield valuing the outstanding shares at a total of £472,000.

Kennedy Brookes already holds a 56.28 per cent stake in Poetfield, the company which runs the Maxim's de Paris and Cafe Maxim's restaurants in Panton Street in London's West End.

Under the terms of the agreement Kennedy Brookes will offer five Kennedy ordinary shares for every 11 ordinary shares in Poetfield.

The offer is based on the middle market quote at the close of business on Tuesday of 274p per Kennedy ordinary share, valuing each Poetfield ordinary share at 124p.

Irrevocable undertakings to accept the offer have been received from all the Poetfield directors and from other shareholders in respect of a total of 309,000 ordinary shares (36.22 per cent).

Full acceptance of the offer would give rise to the issue of 178,864 new ordinary Kennedy shares, representing some 0.42 per cent of the enlarged share capital.

Dunlop's SA arm shows profits rise of 36%

BY JIM JONES IN JOHANNESBURG

INCREASED demand from the motor sector has benefited BTR Dunlop, the South African rubber products manufacturer controlled by the UK conglomerate.

In 1987, turnover rose 15.5 per cent to R411m (£109.45m) from R356m, while the trading profit advanced 32 per cent to R47.6m (R36m) and the pre-tax profit nearly 36 per cent to R43.7m (R32.2m).

Sales increased with higher demand for all products, particularly those to the motor and consumer markets, and the directors said they expected the improvement to continue this year. Labour difficulties were now largely resolved and productivity improved last year.

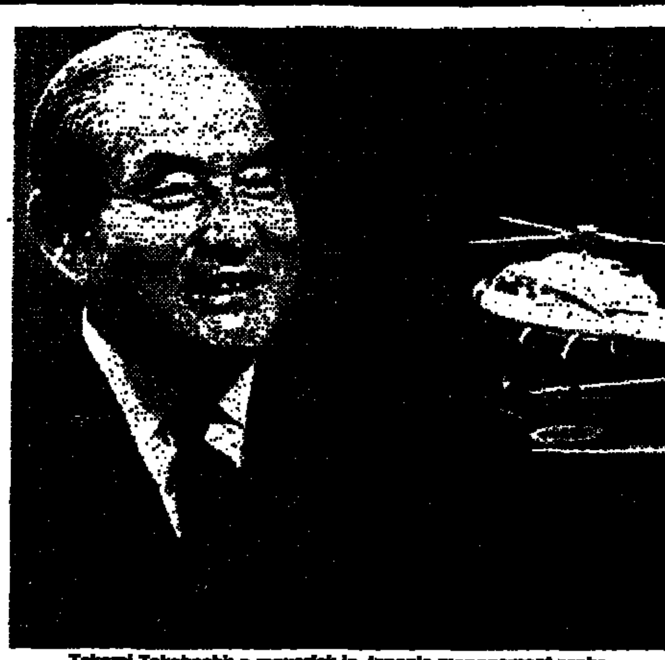
Earnings rose to 107 cents per share (87 cents) and the dividend is lifted to 85 cents (75 cents).

MANAGEMENT

Minebea

No respecter of convention

Nick Garnett reports on a Japanese group with a rare appetite for acquisitions



Takami Takahashi: a maverick in Japan's management ranks

GLOBE-TROTTING managers of Minebea, the Japanese bearing and engineering components maker, were in Britain at the beginning of the year, wrapping up another small chapter in one of the most unusual growth stories to come out of the world's second largest economy.

Minebea's recently announced purchase of Rose Bearings, a relatively small British bearing maker, hardly seems to warrant much attention. But this happens to be the 22nd company Minebea has bought in and outside Japan in the past 15 years.

Mavericks exist in Japan and Minebea is one of them. For those who believe Japanese industry is built on a monolithic corporate culture of cautious consensus and a paranoid fear of leaping into the unknown, Minebea's jumping bean activities look way out of place.

In terms of accepted corporate behaviour in Japan, unconventional is an apt tag for a company which, from its humble birth to its present 22,000 employees and Y150bn ($1.2bn) sales, has been controlled by the flamboyant Takami Takahashi.

For one thing, starting out in a shack making bearings back in the 1950s, Minebea has pursued an acquisition policy in Japan and elsewhere using aggressive pressure tactics more associated with a US or British predator.

For another, Minebea uses company acquisitions to slide into product areas for which it has little or no production and marketing knowledge, an almost unheard of approach in the land of growth by stealth. Company acquisitions alone have taken it into fasteners, measuring instruments, furniture distribution, hi-fi speakers, vehicle wheel making and hand gun manufacture.

At least there is a link through most of these products. Many use standard types of engineering components. But in 1984 Minebea really took a leap in the dark. The company had already set up its own computer keyboard manufacturing facility, but four years ago it took the much more dramatic step of setting up a joint venture company, using venture capital, to make semiconductors.

It now has supply agreements with IBM and Olivetti, and Ryusuke Mizukami, general manager for corporate planning, says with a straight face: "We would like to be number one in the world in memory chips."

As if that was not enough, Mizukami says that Minebea, the world's largest supplier of miniature ball bearings, is pondering further possible lurches into wholly unrelated sectors, like frozen food.

Meanwhile, Takahashi is pursuing a personal goal of steering Minebea into pig farming. This has been temporarily thwarted because of a ban imposed by local authorities in Thailand, where Takahashi has bought a stretch of land to carry out this activity.

The character of the company is almost exclusively the product of its Jaguar-driving chairman. A rather larger than life character among the grey dragoons of Japanese corporate managers, 59-year-old Takahashi has condominiums in Hawaii, Thailand and Singapore and – handy for golf – next to the Los Angeles country club. Minebea has three Aerospatiale helicopters at its disposal, frequently used to ferry guests up to its 45-bed mountain guest house in Japan, as well as a Boeing 727.

Takahashi developed a global perspective early. Long before it started to become accepted practice among a number of Japanese companies, Minebea had been basing large amounts of its manufacturing capacity outside its home country. More than half of its factories are overseas. A third of its workforce are Thais.

Some of Minebea's takeovers have been carried out quietly and amicably. Others have been the result of an assertive thrust through the initially unwelcome buying of shares in the target company.

Not surprisingly, some of Takahashi's methods are loathed by many managers in Japan where there are many hundreds of company acquisitions every year but where corporate raiding is not really part of the business culture.

Some of these detractors have gained satisfaction from the trouble that Minebea has run into with an attempted purchase of Sankyo Seiki, a major music box maker.

Minebea uses company acquisitions to slide into product areas for which it has little or no production and marketing knowledge

They could also afford a wry smile in 1986 when Minebea was itself the takeover target of a foreign grouping, Trafalgar-Glen, an Anglo-US investment group. Minebea wriggled out of that by using a number of ploys, including seeking and getting the classification of defence contractor.

For his part, Takahashi sometimes shows impatience with traditional Japanese management practices, especially on the issue of mergers and acquisitions.

"The problem is that there are no executives who can make decisions in Japan. During rapidly changing situations, the lack of management qualified to make decisions presents serious problems," he told the Business Tokyo magazine last year.

Many of Minebea's practices though are recognisably Japanese. Thousands of foreign-based workers are brought to Japan for training. Since 1981, 2,200 Thais have been given training in Japan and at plants and institutions in Singapore and Switzerland.

For bearings, Minebea's Karuizawa factory acts as a "mother" plant on manufacturing systems, machinery and procedures.

The company tends to leave indigenous management in place after acquisitions. However, it replaced some managers at Hampshire Ball Bearing in the US after that operation failed to live up to expectations, but the replacements were also American.

Whatever Minebea's standing in Japan's business community, the policy of diversification through acquisition is set to continue. Bearings now account for some just 30 per cent of sales as against 40 per cent for electronics-related goods like keyboards and printers. "Electronics has become the new engine of company growth," says Minebea.

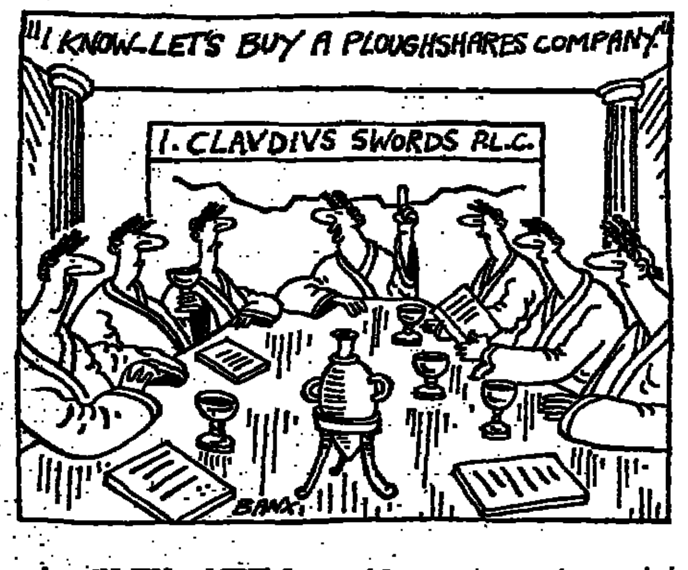
Like every other Japanese manufacturer, Minebea has to contend with the impact of the rising yen on its balance sheets. Its total yen sales dropped 6 per cent in 1986 – and its US operations were in loss that year. Total sales recovered by just 3 per cent in 1987. Its net profit last year was also much lower than it had predicted.

The company, though, seems to have unlimited belief in its ability to grow. "Takahashi would like to make it a Y1,000bn company before he retires," says Mizukami. "His belief is that unless you are a big company you cannot enjoy business life in Japan."

Strategies for growth

'Unrelated' takeovers spell trouble

By Christopher Lorenz



ROLAND SMITH'S original career as a business school professor has had to take a back seat since he started collecting the chairmanships of one British company after another in recent years. But he would do well to remember his academic experience as he pursues the controversial plan of his latest charge, British Aerospace, to buy the Rover car group.

Ever since Smith was a relative unknown at Manchester University 15 years ago, an unbroken stream of research studies on both sides of the Atlantic has demonstrated beyond all doubt that takeovers of the BAe-Rover variety are even more fraught with risk than most acquisitions. By the same token, the once-fashionable construction of a "balanced portfolio" of businesses - a strategy which has recently taken BAe into the Dutch construction industry - has been found to be much more dangerous than was once thought.

However loudly Smith and his supporters in Mrs Thatcher's Government may claim to see various "synergies" between the activities of BAe and Rover, these are difficult to detect and are unproven.

In the jargon which Smith learned at Manchester, the two companies are at best "loosely related". By some definitions they are downright "unrelated". It is this category of acquisitions, especially when they are large, which run by far the greatest risk of failure.

Only a few paragon predators, such as America's United Technologies and Britain's Hanson, have succeeded in bucking this trend. To do so, they have had to amass unusually long experience of how to spot really suitable prey, and how then to digest them without dire results. BAe, by comparison, is a relative novice in the takeover game.

United Technologies, which makes Pratt & Whitney aero engines and a mass of other high-tech products, was one of 33 large diversified US companies whose acquisition records ever since 1950 were put under the microscope by the most recent exhaustive study. Conducted at the Harvard Business School under the leadership of Professor Michael Porter and published last year*, it found that successful acquirors almost invariably diversify into related fields.

Even successful diversifiers such as 3M, IBM and TRW "have terrible records when they have strayed into unrelated acquisitions," Porter reported.

By contrast, rampant diversifiers into unrelated fields such as Cummins Engine, Gulf & Western, General Mills and Exxon have had a remarkably poor takeover record, according to the Harvard study, which used the divestment rate of earlier acquisitions as its prime measure of success and failure. By 1980 Cummins had divested all the unrelated acquisitions it had made since 1950, while Exxon, G & W and General Mills had each disposed of about 80 per cent of their unrewarding catch.

Porter's conclusion was that the corporate portfolio strategy of many diversified companies "has failed - much diversification just doesn't work." Most such diversifiers "have failed to think in terms of how they really add value," he complained.

A parallel study** which examined the "value creation performance" of the acquisition programmes of 116 large US and UK companies to 1972, using financial measures, came to very similar conclusions. Carried out by McKinsey & Co, the management consultancy, the benchmark of success was a company's ability at least to earn back its cost of capital on the funds invested in its acquisition programme.

By this standard, more than 60 per cent of all acquisitions were failures, with large, unrelated takeovers by far the most risky category at a failure rate of 86 per cent.

McKinsey says that predators can make three cardinal errors which keep them from generating enough cash flow adequately to offset stock market acquisition premiums. Some, such as Britain's Imperial Group with its disastrous takeover of the American Howard Johnson hotel/restaurant chain in 1980 (divested five bitter years later), commit all three gaffes.

First, acquirors can overestimate the potential for synergy. Imperial's knowledge of consumer markets proved irrelevant to the American hotel and fast-food markets, and HoJo was a drain on Imps's spare cash.

Second, market potential can be overestimated. Imps did not foresee how much of HoJo's hotel business would be lost in the economic wake of the 1979 oil shock. Similarly General Dynamics had unrealistic expectations that the aviation market would rebound when it bought Cessna Aircraft in 1985.

Third, integration after the takeover is often handled badly. Imps made this error with HoJo, says McKinsey, as did Schlumberger after its purchase of Fairchild Semiconductor.

One of McKinsey's contributions to the debate about the pros and cons of "related" versus "unrelated" acquisitions is to define a new category of "relatedness" which explains the success of Hanson and other companies in making and digesting takeovers which traditional definitions would classify as "unrelated".

In addition to the standard categories of relatedness of industry, technology and markets, McKinsey considers "relatedness of managerial task" to be a key success factor in most takeovers. Thus Hanson tends to confine its attention to companies with a specific set of attributes even if they are in different industries, so that the post-acquisition process is always similar.

BAe and Rover may - just - manage to convince their critics that there is some "relatedness" between them, especially in terms of production technology and engineering. But it will be harder to establish many real examples of relatedness of managerial task, beyond the mundane and universal ones involved in the running of any assembly business.

** See Harvard Business Review, May-June 1987 (Reprint no 87037).*

*** Details from Robert Whiting, McKinsey & Co, 74 St James' Street, London SW1A 1PS. Tel: 01-839-8040.*

Disappointed Diversifiers: reasons for failure to offset acquisitions premiums

Over-optimistic market appraisals	Over-estimating appraisals	Poor post-acquisition integration
General Dynamics/Cessna	UTC/Mostek	Kennecott/Carborundum
Raytheon/Beech	Baxter Travenol/American	Xerox/Crum and Forster
Hospital Supplies		
Oil diversification	Philip Morris/7-Up	Schlumberger/Fairchild
●USX/Marathon		
●DuPont/Conoco	British Leyland/BMC	Philips/Pye
Imps/Howard Johnson	Major UK brewers	Midland/Crocker

Source: McKinsey

COMMODITIES AND AGRICULTURE

Losses may force closure of Italian zinc producer

BY JOHN WYLES IN ROME

CONTINUING HEAVY losses may soon force the closure of Pertusola Sud, Italy's second largest zinc producer, unless the Italian Government changes its mind about assembling a rescue package.

The company is 51 per cent owned by Pennaroya of France and 49 per cent by the state financial holding company, Gepi. The owners say that despite investing L165bn (£75m) since 1983 in Pertusola's production facilities at Crotone in Calabria, the producer is still running up losses which amounted last year to L19bn. As a result of accumulated deficits, the company has been forced by Italian law to call a shareholders meeting on March 10 to agree to a capital write-down.

A Gepi official said yesterday that the company was facing closure because the Italian Government had refused its request for modernising grants available under Italian law to develop the Mezzogiorno.

"Pertusola needs new equipment in order to be competitive on a European level," he said, adding that the government had criticised the proposals as likely to add to the Crotone plant's capacity.

Since around 1,200 jobs are at stake in an economically backward part of the country, it is possible that there is a strong element of bluff on all sides. Pertusolas owners may be calculating that in the end the government will prevail upon Eni, the state energy company, to combine the Calabrian company with its own zinc producer, Samim.

The Government and ENI, for their part, may want to leave a decision until the eleventh hour so as to drive as hard a bargain as possible over the price of any acquisition. Pertusola's sales last year amounted to L145bn, down from L150bn in 1986, when it produced 100,500 tonnes of zinc. Samim produced 144,000 tonnes last year.

'Eroded capacity buoys metals'

BY KENNETH GOODING, MINING CORRESPONDENT

THE PRESENT HIGH prices for many mineral products could partly be traced to a gradual erosion of the mining industry's capacity to produce, said Mr Andrew Buxton, the RTZ Corporation's director of metals, yesterday.

He suggested the nominal capacities of mines and plants were often significantly in excess of their effective capacities following changes forced on the industry during the years of recession.

He estimated, for example, that by the end of last year the effective capacity of the world's copper mines was "getting on for 1m tonnes below nominal capacity."

The mining industry had deliberately scrapped or down-graded outmoded or high-cost facilities and redesigned mines to produce at lower, more-competitive costs.

The severity of capacity constraints had been felt most acutely in nickel and copper among the major metals, pointed out Mr Buxton, who was speaking at Shearson Lehman Brothers' annual metals and mining seminar in London.

While the copper situation should ease as new capacity came on stream later this year, "no such relief is imminent for nickel."

Experience in nickel was symptomatic of most minerals in one respect, he added. The last big wave of investment in new facilities was in the early 1970s, so mines and plants were now essentially middle-aged and many were nearing the end of their useful lives.

Several lead and zinc mines were closing in the 1987-90 period, for example.

The gap would not be filled easily or quickly because companies were now very cautious while banks and financial institutions were generally unwilling to lend to the mining industry, particularly in countries with large sovereign debts.

Furthermore, the industry had devoted too much energy to gold exploration. "The almost religious zeal which gold evokes and, it might be argued, its intrinsic usefulness, makes this the mining industry's late twentieth century equivalent of building the pyramids."

Mr Buxton said the trends suggested that, "conceivably, metal prices could remain rather *higher than is currently expected* and for somewhat longer."

This would not necessarily lead to an increase in capacity, because during the recession the industry had changed its attitude and no longer chased growth and market share regardless of cost.

Its main objective was now to maximise returns to shareholders.

● The London Metal Exchange *may set up delivery points for* metal in North America, Mr Michael Brown, the chief executive, told the seminar.

He stressed that *discussions* were at a very early stage and that initially only aluminium would be involved.

In contrast to recent moves towards the LME setting up a warehouse for aluminium in Japan, the initiative for the American venture had come from the Exchange. "It is only fair that people who use the LME's contract should be able to take delivery of the metal close to home," he said.

Rules delay irks brokers' association

BY DAVID BLACKWELL

THERE IS growing concern at the Association of Futures Brokers and Dealers that the Securities and Investment Board has not yet agreed on its financial requirement rules.

Mr Alistair Annand, chief executive of the AFBD, said yesterday that the delay would hold up processing of applications for membership. "We are not in a position to process the applications until we know what rules to apply," he said.

The AFBD is the Self Regulatory Organisation (SRO) which will take most of the responsibility for regulating UK futures and options markets when the Financial Services Act takes effect on "A-Day" next month. It has already started processing the forms of almost 400 firms which *applied to join before midnight* on "P-Day" last Friday.

Any firm wishing to trade on a Recognised Investment Exchange will have to belong to an SRO. Until a firm is finally approved by an SRO, it will be given interim authorisation to trade.

Mr Annand is anxious to approve before "A-Day" as many as possible of the firms who were already members of the association, but had to apply for continuation of their membership under the new rules.

Those who were members under the old rules were clearly "fit and proper" to trade, but would have to satisfy new financial *requirements rules which* were not yet known, said Mr Annand. The AFBD did not have the template against which to assess a firm's capital resources, he said.

The SIB said last night it was still discussing the financial requirements rules – particularly those referring to bank guarantees – with the Committee of London and Scottish Clearing Banks. But agreement would be reached "very shortly", and should not unduly delay the AFBD's processing.

Tin Council challenges disclosure ruling

By Raymond Hughes, law courts correspondent

THE FIRST round of appeals in the tin litigation entered its final stage yesterday when the International Tin Council challenged a ruling that it must disclose the "nature, value and location" of its worldwide assets to one of its creditors.

The insolvent ITC, with debts of around £900m, is appealing against disclosure orders obtained in the High Court last year by Maclaine Watson, a London tin trader and £6m ITC creditor.

When the matter was before the High Court Mr Justice Millett accused the ITC of behaving "more like a disreputable private debtor concerned only to hinder and delay his creditors than the responsible international organisation it claims to be."

He said that the ITC had refused all Maclaine's requests for information about its assets, in particular its bank accounts, against which the company's £6m arbitration award could be enforced.

It was, Mr Justice Millett said, the English court's policy to prevent a defendant removing or concealing its assets so as to deny a successful plaintiff the fruits of his judgment. He said that an ITC officer should swear an affidavit verifying details of its assets.

No power

Yesterday the ITC argued that the judge had no power to make the orders.

In the last two weeks the three appeal judges have heard an appeal by Maclaine Watson against the High Court's refusal to appoint a receiver of an alleged ITC asset, an appeal by Amalgamated Metal Trading, another London Metal Exchange broker, against the striking-out of its petition for the compulsory winding-up of the ITC, and an issue over whether the European Community – one of the ITC's members – is immune from English court proceedings.

Those matters were preceded by appeals by Maclaine Watson and J.H.Rayner (Mincing Lane), a £16m ITC creditor, against High Court judges' rulings that the ITC's members – the UK, 22 other states and the EC – could not be made liable for its debts.

The appeal court is expected to give one judgment on all of the appeals, though the three judges may divide the issues between them. That judgment is unlikely to be given before Easter. The appeals are then expected to go to the Law Lords for a final ruling.

Pakistan focuses on farm exports

BY JOHN ELLIOTT IN ISLAMABAD

A MAJOR expansion of livestock and horticultural production is being planned by Pakistan as part of a new government policy which will aim to increase the country's annual agricultural growth rate from 4 per cent to 5 per cent by the year 2000.

The policy switches the primary focus away from development of food grains, in which Pakistan is now virtually self-sufficient, to the new areas which the Government's advisers believe provide the greatest export potential. Food grain production will be expanded to cater for the current 3 per cent annual growth in Pakistan's population, now totalling 102m people. Industrial development related to agriculture is to be encouraged.

The plans have been drawn up by a National Commission on Agriculture and are to be published soon. The commission has reviewed Pakistan's agricultural progress since 1960 and has proposed policies for the next 12 years.

Agriculture accounts for 26 per cent of Pakistan's gross domestic product and 55 per cent of its employment. It has grown at an average annual rate of 3.8 per cent since 1960, and at 4 per cent for the past ten years. The country's seventh five year plan, for 1988-93, which is now being drawn up, proposes an average growth rate of 4.5 per cent and the Commission wants to raise this to 5 per cent by the year 2000.

The annual growth rate in livestock produce is planned to go up from 2.9 per cent to 6 per cent by increasing yields from the stock of 14m buffaloes, 17m cattle, and 60m sheep and goats. Poor ground conditions, fodder and other facilities are to be improved to raise milk production from 12.2m tonnes a year to 23m tonnes, and meat production from 1.1m tonnes to 2.6m tonnes. But the report believes there is little prospect for increased yields from the country's 137m poultry.

The commission proposes that a substantial fruit and vegetables export business should be developed with Middle East and Gulf countries so that growth in horticulture can quicken from 4.5 per cent a year to 7 per cent. Seed varieties are to be improved, and *marketing techniques* and other facilities introduced, especially for apples and oranges. The land area under cultivation for fruit and vegetables would go up from 620,000 hectares to 1m.

The plan aims to maintain growth in cotton, rice and wheat – the most successful crops. Cotton output, which this year has reached a record total of 8.5m bales, is planned to rise to 12.5m, leading to expansion of the country's garments industry.

Production of rice, in which Pakistan has been self-sufficient for 8 years, is planned to rise from 3.5m tonnes a year to 5.8m tonnes. Wheat output, which suffers from poor yields, is planned to rise from 12m-14m tonnes a year to 20m tonnes. The commission hopes this will prevent the need for occasional imports – 1.5m. tonnes are to be imported later this year to offset effects of a drought.

Sugar output is failing to keep pace with rising domestic demand so the commission proposes boosting domestic output, which now totals 30m tonnes, so that it can meet 90 per cent of the country's needs instead of the present 70 per cent.

Edible oil production is to be tripled from 250,000 tonnes to 750,000 tonnes, with the level of imports staying constant at the present levels of 750,000 tonnes

Creation of a Watershed and Lands Development Authority is being proposed by the commission to improve the efficiency of water use and irrigation.

The report also says that loans for agriculture should rise from 12 per cent to 20 per cent

Breaking new ground in vegetable marketing

BY BRIDGET BLOOM

THE TROUBLE with British farmers, Mr John MacGregor, *Britain's Minister of Agriculture*, is fond of telling them, is that they are very good at producing but much less adept at marketing what they grow.

Mr Walter Goldsmith, chairman of Food from Britain, has been banging the same drum. *Britain's much vaunted farming* industry was in danger of being the only major industrial sector not to join the enterprise economy, he *told the prestigious* Oxford Farming Conference earlier this year.

Putting the blame partly on the excesses *of the European Community's* Common Agricultural Policy, Mr Goldsmith noted that the higher the subsidy farmers received "the lower the incentive appears to be for them to organise professionally to win success in the market place."

Late last month Mr Goldsmith attended the launch of four new all-vegetable "ready meals" which should be on sale in several *of Britain's supermarkets in* July. The meals, produced by a company known as Froqual, are the end result of a Lincolnshire co-operative farming venture which Mr Goldsmith believes is precisely the kind of enterprise farmers can and should be aiming to set up.

Froqual – truncated from Frozen Quality Ltd – has increased its turnover from around £8m in 1981 to some £25m this year, and believes that it has around 6 per cent of the total UK frozen vegetable market.

The company itself was formed in 1970, with Mr Tony Worth, whose family has farmed some 2,000 acres of the rich alluvial silts at Holbeach Hurn since the *turn of the century*, as managing director. Mr Worth, with less than a dozen other Lincolnshire farmers, had already formed the Holbeach Marsh Co-operative principally to market potatoes.

But they had labour and land to spare and had also geared themselves *up to* produce peas for freezing by the Birds Eye group, among others – only to find that one spring, key contracts were withdrawn.

So the growers took matters into their own hands and Froqual was formed. In its own plant and others the company freezes the produce of around 150 Lincolnshire farmers, grouped in 10 major co-operatives, who between them farm around 100,000 acres

Peas and beans are still the major crops grown by the farmers *for freezing*, but the market for them has at best been stable over the past few years. This, Mr Worth says, has been the spur to the move into *so-called* exotic vegetables like mange touts, and into ready meals.

Mr Worth, and Mr Roy Lowe, Froqual's marketing director, say that their guiding principle is to prove the existence of a market first, and then encourage farmers to produce for it, filling any gaps through imports if necessary. Currently, Froqual's co-operatives grow about 25,000 tonnes of produce for freezing a year, with imports accounting for another 15,000 tonnes.

Mr Peter Killick, the farm manager at Holbeach Hurn, has been responsible for many of the initial Lincolnshire growing trials, including a planned 20 acres of celeriac and fennel this spring, before recommending that other co-operative members take up the new crops. He notes regretfully that mange touts for freezing are being dropped this year – "There's no machinery which will harvest and top and tail the pods, so we simply can't compete with much lower wage rates in Taiwan or Guatemala."

The new "vegetable whole meals" are being developed to meet increasing demand for high quality frozen food, boosted now by the wider ownership of microwave ovens.

"We've purposely aimed them at the growing number of people who want to eat healthily but are not necessarily vegetarian," Mr Love says. "The total frozen ready-meal market is about £240m today, and rising at 16 per cent a year. We want to get our share of it."

There are clearly several lessons from the Froqual experience, not least that of the importance of go-ahead management, and of co-operation, which gives an individual farmer the strength *he could not possibly have alone*, and enables him to deal directly with the new giants in both the farmers' and the consumers' world, the supermarkets.

There are also those lessons which Mr Goldsmith draws. Every member of Froqual will be growing commodities – principally cereals – covered by Common Agricultural Policy subsidies. But their real enterprise has been directed towards those crops for which there are no subsidies at all.

Relief promised for Danish pig farmers

By Hilary Barnes in Copenhagen

DANISH PIG farmers, who are fearful that financial and political considerations together are about to induce a substantial reduction in their production, were promised some relief by Minister of Agriculture Laurits Toernaes yesterday.

With agricultural organisations predicting that 10,000 to 15,000 of the country's 36,000 farms will be forced out of business because of high debt servicing costs over the next few years, Mr Toernaes promised to present legislation in April to enable farmers to carry out financial reconstruction.

The problems have arisen as a consequence of falling farm incomes, caused by the EC reforms, the low dollar and a bad 1987 harvest, together with very high effective interest rates.

Average debt per farm for farmers aged up to 50 years last year was about DKr 1.7m, and interest averaged about DKr 170,000.

Net interest payments by agriculture reached 54 per cent of gross farm profits in 1986 and are estimated to have been somewhat higher in 1987.

Danish pig production is expected to fall by about 4 per cent, or 700,000 pigs, in 1988, from last year's 15.8m, Mr Bent Sloth, chairman of the Association of Co-operative Slaughterhouses, told the annual meeting of delegates yesterday.

He said the decline was not just a cyclical reduction following a fall in profitability over the past two years. He said it was also caused by political uncertainty, especially about the effects of anti-pollution investment imposed by the Government on the farmers over the next few years.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES fell at the LME on chart inspired selling and liquidation of long positions. The price of three-month 99.5 per cent pure aluminium declined by £29.25 a tonne to £1,168.25, taking it below the copper price for the first time for 10 days. Some of the selling was likely to have been liquidation of positions by operators trading aluminium against copper, dealers said. Nickel prices closed at the day's lows on profit-taking after the recent dramatic upsurge, three-month metal shedding £580 a tonne to £9,615. However, trading was very thin and there was no sign of any relief in the tight nearby supply situation, dealers said. Meanwhile cocoa prices eased further, reflecting reports of dissent at the International Cocoa Organisation's talks on possible cuts in market support prices.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		+ or -
Dubai	$13.60-3.65y	+0.18
Brent Blend	$14.00-4.15z	+0.275
W.T.I.(1 pm est)	$15.63-5.67y	+0.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$170-172	-1.50
Gas Oil (Soviet)	$129-130	
Heavy Fuel Oil	$64-65	-2.00
Naphtha	$139-141	+1.00
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$428.00	-2.25
Silver (per troy oz)♣	620c	-8.00
Platinum (per troy oz)	$470.00	-2.25
Palladium (per troy oz)	$118.50	-1.00
Aluminium (free market)	$2250	-45
Copper (US Producer)	100¾-104c	+1.00
Lead (US Producer)	35.50c	
Nickel (free market)	555c	-25
Tin (European free market)	£3885	-12.00
Tin (Kuala Lumpur market)	17.50r	
Tin (New York)	319.50c	-2.25
Zinc (Euro. Prod. Price)	$905	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	110.11p	+2.51*
Sheep (dead weight)†	178.33p	+27.44*
Pigs (live weight)†	69.63p	+2.28*
London daily sugar (raw)	$219.20x	+3.60
London daily sugar (white)	$231.70x	+1.20
Tate and Lyle export price	£231.00	+2.50
Barley (English feed)	£107.50	-1.50
Maize (US No. 3 yellow)	£135.50	+0.50
Wheat (US Dark Northern)	£94.50x	
Rubber (spot)♥	63.75p	-0.25
Rubber (Apr) ♥	66.00p	-0.25
Rubber (May) ♥	67.75p	-0.25
Rubber (KL RSS No 1 Mar)	285.00m	-1.50
Coconut oil (Philippines)§	$532.50x	+2.50
Palm Oil (Malaysian)§	$385.00x	
Copra (Philippines)§	$363.00x	
Soyabeans (US)	£158.00x	-1.00
Cotton "A" index	66.60c	+0.10
Woltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/Sep. x-Mar/Apr. y-Apr. t-Apr/Jun. s-Jun. † Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	967	970	971 958
May	987	989	995 980
Jly	1008	1007	1015 1001
Sep	1026	1021	1034 1021
Dec	1056	1050	1061 1048
Mar	1084	1079	1089 1074
May	1104	1100	1105 1095

Turnover:4275 (5485) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 3 : 1246.16 (1249.21) .10 day average for March 4 : 1251.14 (1256.55).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1186	1180	1196 1185
May	1221	1214	1230 1218
Jly	1245	1240	1255 1245
Sep	1270	1265	1281 1270
Nov	1295	1289	1303 1294
Jan	1319	1306	1322 1317
Mar	1347	1330	

Turnover: 2874 (5072) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 2: Comp. daily 1979 118.99 (118.93); 15 day average 121.78 (121.80).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	181.60	185.60	187.40 180.40
May	181.60	184.80	185.80 181.40
Oct	181.60	184.20	185.60 181.40
Dec	180.40	184.00	
Mar	182.60	186.00	187.00 184.60
May	184.80	187.20	

White	Close	Previous	High/Low
May	225.50	228.50	228.70 225.00
Aug	226.50	228.00	229.00 227.00
Oct	223.50	226.00	227.50 226.00
Dec	225.50	228.00	
Mar	226.50	229.00	
May	227.50	231.00	

Turnover: Raw 3938 (3170) lots of 50 tonnes; White 740 (1242).
Paris- White (FFr per tonne): May 1290, Aug 1300, Oct 1295, Dec 1300, Mar 1315, May 1330

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	127.25	125.50	129.00 127.00
Apr	125.75	124.75	128.25 125.75
May	125.75	123.75	127.25 125.25
Jun	127.00	125.50	128.00 126.75
Jul	127.00	125.25	127.50 127.00

Turnover: 4698 (6604) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	105.00	104.85	105.00 104.85
May	107.60	107.40	107.55 107.25
Jly	110.15	110.15	110.20 109.95
Sep	100.90	100.90	100.90 100.70
Nov	102.90	102.85	102.90 102.85
Jan	105.10	105.25	105.10 105.05
Mar	107.25	107.45	107.25

Barley	Close	Previous	High/Low
Mar	103.15	103.50	103.15 103.00
May	105.85	105.90	105.90 105.85
Sep	97.70	97.85	97.70
Nov	100.25	100.50	100.25
Jan	102.25	102.50	102.25
Mar	104.60	104.85	104.60

Turnover: Wheat 80 (160) , Barley 8 (41) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2215-35	2310-30		2240-60		
3 months	2080-90	2160-70		2110-30	2070-80	3,438 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 18,825 tonne
Cash	1255-6	1300-3		1272-3		
3 months	1168-8.5	1207-8	1190/1158	1186-7	1161-2	47,436 lots
Copper, Grade A (£ per tonne)						Ring turnover 51,325 tonne
Cash	1259-61	1252.5-4.5	1280/1277	1275-6		
3 months	1189-91	1185-6	1210/1188	1201-2	1186-7	85,328 lots
Copper, Standard (£ per tonne)						Ring turnover 100 tonne
Cash	1215-25	1190-220		1230-40		
3 months	1160-70	1155-85		1175-85		29 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	615-7	618-21		616-8		
3 months	625-7	627-30		626-8	625-30	849 lots
Lead (£ per tonne)						Ring turnover 8,125 tonne
Cash	359-61	365-6	365/364.5	364.5-5		
3 months	339-40	345-5	344.5/337	343-3.5	336-8	10,445 lots
Nickel ($ per tonne)						Ring turnover 2,016 tonne
Cash	11600-800	11800-12000	12000	12000-20		
3 months	9600-700	10250-60	10150/9650	10000-20	9750-800	9,480 lots
Zinc (£ per tonne)						Ring turnover 4,275 tonne
Cash	508.5-9.5	507-9	508.5/507½	508-8.5		
3 months	512.5-3	510-1	514/510	511-2	513-4	11,998 lots

POTATOES £/tonne

	Close	Previous	High/Low
Mar	78.50	78.00	78.50 78.20
Apr	138.50	138.00	138.60 137.70
May	154.80	153.50	154.80 153.00
Nov	93.50	94.00	93.50
Feb	104.00	104.00	
Apr	140.20	140.50	140.50 140.20

Turnover: 401 (579) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	131.30	132.30	132.00 126.50
Jun	127.50	128.70	
Aug	126.50	127.70	126.50
Oct	127.30	128.70	127.50
Dec	131.50	132.00	131.50

Turnover: 123 (58) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1581.0	1569.0	1582.0 1575.0
Jly	1421.0	1422.0	1425.0 1418.0
Oct	1435.0	1418.0	1435.0 1422.0
Jan	1410.0	1385.0	1410.0
BFI	1564.0	1562.0	

Turnover: 321 (91)

FRUIT AND VEGETABLES

Supplies of grapes from the southern hemisphere are abundant, reports FFVIB. Plums from Cape and Chile are too quality, 55-80p a lb (55-85p), while the prices of oranges, 8-28p, pineapples, 1.50p-£2.00, and Israeli golden delicious apples, 20-40p, are all stable. The season for brussel sprouts is approaching its end and so too quality sprouts now cost 20-30p (18-28p). Cauliflowers are slightly shorter after recent frosts, but quality is still excellent, 50-75p (45-65p). Potatoes are plentiful, 11-14p for whites, and 13-15p for reds, as are carrots, 15-30p, while white and red cabbage remains at 15-25p. The quality of round lettuce is much improved at 25-45p (30-50p) following recent sunny weather.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	427¼-428¼	241¾-242¼
Opening	430-430½	243-243¼
Morning fix	428.15	242.381
Afternoon fix	429.10	242.457
Day's high	430-430½	
Day's low	427¼-427¾	

Coins	$ price	£ equivalent
US Eagle	440-445	248½-251½
Mapleleaf	440-445	248½-251½
Britannia	440-445	248½-251½
Krugerrand	428½-429½	241-243
1/2 Krug	222-231	125½-130½
1/4 Krug	111-119	62¾-67¼
Angel	440-445	248½-251½
1/10 Angel	44-48	25-27¼
New Sov.	100¾-101¾	57-58
Old Sov.	100¾-101¾	57-58
Noble Plat	485¼-491¼	274½-278½

Silver fix	p/fine oz	US cts equiv
Spot	350.80	620.00
3 months	358.75	630.30
6 months	367.15	641.05
12 months	384.80	664.65

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls			Puts		
Strike price $ tonne	Mar	May	July	Mar	May	July
1900	249	204	48	145		
2000	156	139	103	225		
2100	71	85	177	266		

Aluminium (99.5%)	Calls			Puts		
1950	271	205	46	171		
2000	175	135	98	157		
2100	105	85	177	264		

Copper (Grade A)	Calls			Puts		
1900	242	210	68	106		
2000	156	138	131	165		
2200	95	87	216	276		

US MARKETS

BANK SELLING IN GOLD weakened prices slightly, reports Drexel Burnham Lambert. Volume was very light. Silver prices firmed up on trade buying. Light volume was also seen in most of the other markets . Sugar futures were sold off by commission houses and funds before trade buying prevented any further sell-off. Coffee prices eased on profit commission and local activity. Arbitrage and speculative selling weakened cocoa slightly. In the meat markets, long liquidation by local traders sent prices down sharply. Commission house stop orders added to the sell-off. April live cattle fell 1.50 points to 7062. The grains markets were dominated by featureless trading, soyabeans being the most active. May soyabeans fell 6¼ cents due to funds selling on the close. In cotton trading, speculative buying firmed the market, the local sellers prevented significant gains. Orange juice prices rallied on commission house buying late in the session.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Mar	427.7	430.6	0	0
Apr	429.7	432.4	430.0	428.3
Jun	433.2	436.2	436.8	432.0
Aug	437.4	440.5	439.0	436.8
Oct	441.5	444.8	443.2	441.0
Dec	445.5	448.8	448.5	445.5
Feb	450.0	453.1	0	0
Apr	454.5	457.4	457.5	457.5
Jun	458.4	461.7	460.7	460.7

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Apr	471.1	473.3	472.0	469.0
Jul	472.6	475.0	474.0	470.0
Oct	474.6	476.0	476.0	471.0
Jan	476.1	478.3	0	0
Apr	478.6	481.6	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Mar	621.4	621.6	631.0	618.0
Apr	625.0	624.4	0	0
May	630.5	629.0	636.5	623.5
Jul	635.5	634.8	640.0	631.5
Sep	641.0	640.4	645.0	635.0
Dec	649.6	649.8	653.0	649.0
Jan	652.1	652.5	0	0
Mar	659.7	659.3	661.5	660.0
May	666.6	667.2	0	0
Jul	674.5	674.5	674.0	670.0
Sep	682.4	681.6	0	0
Dec	692.2	692.7	0	0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	95.50	95.20	95.50	95.00
Apr	93.50	92.75	0	0
May	91.15	89.85	91.40	88.90
Jul	87.75	86.00	87.75	85.60
Sep	84.15	84.00	85.40	82.20
Dec	82.80	82.00	82.80	81.00
Jan	82.35	82.00	0	0
Mar	81.75	82.00	80.80	80.80
May	81.75	82.00	0	0
Jul	81.75	82.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Apr	15.61	15.67	15.86	15.54
May	15.51	15.57	15.77	15.45
Jun	15.49	15.64	15.73	15.40
Jul	15.44	15.51	15.68	15.38
Aug	15.42	15.48	15.63	15.33
Sep	15.30	15.45	15.55	15.35
Oct	15.36	15.42	15.35	15.33
Nov	15.36	15.39	15.50	15.36
Dec	15.35	15.36	15.50	15.35

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
Apr	43.15	43.65	44.05	43.15
May	41.70	42.10	42.70	41.60
Jun	41.00	41.22	41.90	41.00
Jul	40.90	41.12	41.45	40.85
Aug	41.88	41.58	42.25	41.58
Sep	42.40	42.48	42.73	42.30
Oct	43.30	43.28	43.50	43.00
Nov	43.80	43.58	4.50	43.75

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Mar	1555	1583	0	1555
May	1591	1605	1612	1590
Jul	1622	1634	1648	1618
Sep	1655	1665	1668	1645
Dec	1690	1701	1713	1683
Mar	1734	1744	0	0
May	1748	1760	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Mar	134.00	134.95	135.5	132.70
May	135.97	137.00	137.0	135.40
Jul	137.98	139.59	139.5	137.50
Sep	139.80	140.65	141.0	139.40
Dec	140.00	142.65	143.0	140.00
Mar	142.80	143.35	143.8	142.80
May	140.80	145.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	8.15	8.30	8.33	8.05
Jul	8.10	8.24	8.27	8.05
Oct	8.10	8.19	8.26	8.05
Jan	8.05	8.35	0	0
Mar	8.28	8.40	8.31	8.12
May	8.28	8.34	8.37	8.20
Jul	8.28	8.38	8.39	8.24

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Mar	61.95	61.75	61.70	61.40
May	61.82	62.31	62.30	61.80
Jul	61.15	61.50	61.60	61.10
Oct	59.01	59.25	59.23	59.00
Dec	57.75	57.90	58.11	57.50
Mar	58.60	58.75	58.90	58.40

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	166.30	166.55	166.50	166.00
May	162.50	161.65	162.90	161.50
Jul	157.80	157.00	158.25	157.00
Sep	157.00	155.20	157.00	155.50
Nov	155.00	153.45	154.90	154.50
Jan	152.45	151.05	152.00	152.00
Mar	152.45	151.60	0	0
May	152.45	151.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)				
Mar 2	Mar 1	month ago	yr ago	
1748.5	1738.5	1722.5	1577.2	

DOW JONES (Base: December 31 1974 = 100)				
Spot	127.31	127.21	129.39	115.42
Futures	131.16	130.75	132.11	114.15

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Mar	623/0	630/4	631/2	622/4
May	629/0	634/4	637/4	628/0
Jul	637/4	645/4	645/2	637/0
Aug	640/4	647/0	647/0	640/4
Sep	641/4	645/6	647/0	641/4
Nov	648/4	653/4	655/6	648/0
Jan	657/0	662/0	662/4	657/0
Mar	662/4	670/0	670/0	662/4
May	667/0	676/0	674/4	667/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	20.60	20.55	20.82	20.50
May	20.90	21.01	21.20	20.85
Jul	21.24	21.33	21.55	21.21
Aug	21.35	21.42	21.60	21.35
Sep	21.42	21.55	21.70	21.40
Oct	21.46	21.60	21.75	21.42
Dec	21.61	21.65	21.90	21.60
Jan	21.65	21.70	21.90	21.65
Mar	21.80	21.75	22.10	21.80

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Mar	189.6	190.1	189.8	188.2
May	187.1	188.8	188.5	186.5
Jul	187.1	189.2	188.7	186.5
Aug	187.7	189.9	189.0	187.5
Sep	188.0	189.0	189.0	188.0
Oct	188.7	190.0	191.0	188.5
Dec	190.5	192.0	193.0	190.0
Jan	192.2	195.0	193.0	192.0
Mar	195.2	196.5	195.0	193.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Mar	200/6	202/0	202/2	200/4
May	207/0	207/6	207/6	206/4
Jul	210/4	211/0	212/0	210/0
Sep	212/4	212/6	213/4	212/4
Dec	216/4	216/4	219/0	216/0
Mar	222/4	222/4	225/0	222/4
May	227/0	227/2	220/0	226/6

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Mar	304/2	305/4	305/0	304/0
May	312/4	314/2	316/0	312/2
Jul	317/4	319/2	321/0	317/2
Sep	325/0	326/4	326/6	325/0
Dec	334/0	335/0	340/0	334/0
Mar	339/0	341/0	340/0	339/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	70.62	72.12	72.10	70.62
Jun	67.60	69.00	68.30	67.60
Aug	65.77	67.22	67.22	65.72
Oct	64.75	66.00	65.80	64.75
Dec	65.45	66.35	65.75	65.30
Feb	65.50	66.30	66.40	65.50

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Apr	42.45	43.25	43.10	41.85
Jun	46.52	46.67	47.10	45.77
Jul	45.60	45.60	45.85	45.85
Aug	43.45	43.85	43.50	43.10
Oct	41.20	41.92	42.10	41.32

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	52.25	52.27	52.55	50.85
May	53.55	53.65	53.90	52.10
Jul	53.87	54.00	54.40	53.00
Aug	52.60	52.67	53.35	51.57
Feb	55.80	55.90	55.90	55.32
Mar	55.15	55.15	0	

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank sells sterling

STERLING WAS held below DM3.00 through intervention by the Bank of England yesterday. The authorities made it clear at a very early stage in the day that they were determined to try and stop the pound establishing itself above that level.

The Bank was active in early morning trading, offering the pound at DM3.0. In addition the Bank seemed anxious to advertise its presence in the market, in order to derive maximum effect from what turned out to be relatively modest intervention.

Sterling reached its peak around 1.30 pm but there was insufficient impetus to maintain the firmer trend. The attraction of high UK interest rates was seen as the main factor behind demand for the pound. Short term investors were attracted by currencies such as sterling, in preference to the dollar, as long as the US unit remained locked within its recent narrow trading range.

The pound closed at DM3.00 up from DM2.9975 on Wednesday. It was a little weaker against the dollar at $1.7680 from $1.7715 and Y228.50 compared with Y228.75. Elsewhere it improved to SFr2.4875 from SFr2.4775 but slipped to FFr10.1250 compared with FFr10.1475.

On Bank of England figures, the pound's exchange rate index closed at 74.8, up from 74.7 at the opening and Wednesday's close.

After a slightly firmer start, the dollar failed to make any progress, and stayed within a very narrow range for the rest of the day. Dealers suggested that the general lack of interest was likely to last until the release of US trade figures, since this was the primary factor affecting the dollar.

The US unit finished at DM1.6965 from DM1.6925 and Y129.20 compared with Y129.15. Elsewhere it closed at SFr1.4065 from SFr1.3990 and FFr5.7375 from FFr5.7275. On Bank of England figures, the dollar's exchange rate index was unchanged at 94.6.

D-MARK—Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.1 against 147.2 six months ago.

Trading was confined to a relatively narrow range in Frankfurt. Once more, traders were unable to point towards anything but the market's current fixation with US trade figures, not due for release until March 17.

The dollar closed at DM1.6955 compared with DM1.6945 on Wednesday and DM1.6968 at the fixing.

JAPANESE YEN—Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 230.1 against 224.8 six months ago.

Trading in Tokyo saw a brief but unsuccessful attempt to push the dollar out of its recent trading range. There was insufficient impetus to achieve this since most investors were content to hold back until the release of US trade figures. The release today of US unemployment data may also provide a clue on the direction of the US economy.

The dollar closed at Y129.30 from Y129.40 in New York. Japan's trade surplus for the first 20 days of February fell to $2.43bn from $3.70bn a year earlier but the figures came out after the close of business. Earlier in the day the dollar had been pushed up to Y129.40 on speculation that the surplus would be cut, although the actual figure was less than expected.

£ IN NEW YORK

Mar.3	Latest	Previous Close
£ Spot	1.7665-1.7685	1.7670-1.7680
1 month	0.34-0.32pm	0.34-0.32pm
3 months	1.08-1.04pm	1.10-1.08pm
12 months	4.05-3.95pm	4.10-4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.3	Previous
8.30 am	74.7	74.7
9.00 am	74.7	74.7
10.00 am	74.7	74.7
11.00 am	74.7	74.8
Noon	74.7	74.7
1.00 pm	74.7	74.7
2.00 pm	74.7	74.7
3.00 pm	74.8	74.7
4.00 pm	74.8	74.7

CURRENCY RATES

Mar.3	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.767324	0.689430
U.S Dollar	6	1.36085	1.21857
Canadian $	8.75	1.70868	1.52882
Austrian Sch.	3	16.1329	14.5131
Belgian Franc	6½	48.0516	43.1769
Danish Krone	7½	8.77680	7.88901
Deutsche Mark	2½	2.29793	2.06669
Neth. Guilder	3¼	2.58085	2.31991
French Franc	9½	N/A	6.99214
Italian Lira	12½	1693.51	1522.84
Japanese Yen	2½	174.801	157.500
Norway Krone	8	8.64820	7.77386
Spanish Peseta	-	154.353	138.795
Swedish Krona	7½	8.15421	7.32847
Swiss Franc	2½	1.89771	1.71148
Greek Drach.	20½	184.096	165.494
Irish Punt	-	N/A	0.775121

*All SDR rates for Mar.2

CURRENCY MOVEMENTS

Mar.3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	74.8	-18.8
U.S Dollar	94.6	-12.2
Canadian Dollar	80.6	-6.6
Austrian Schilling	140.2	+10.8
Belgian Franc	100.5	-4.6
Danish Krone	93.5	+2.8
Deutsche Mark	149.1	+22.9
Swiss Franc	175.9	+24.2
Guilder	137.7	+15.6
French Franc	71.6	-13.4
Lira	46.9	-19.1
Yen	239.1	+78.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)** Rates for Mar.2

OTHER CURRENCIES

Mar 3	£	$
Argentina	11.1445-11.2395	6.3000-6.3500
Australia	2.4340-2.4370	1.3770-1.3780
Brazil	178.05-179.05	100.65-101.15
Finland	7.2335-7.2455	4.0920-4.0940
Greece	238.10-242.15	134.65-136.90
Hong Kong	13.7875-13.8015	7.7980-7.8000
Iran	120.00*	67.35*
Korea(Sth)	1339.00-1351.15	757.80-764.10
Kuwait	0.48830-0.48880	0.27620-0.27630
Luxembourg	62.65-62.75	35.40-35.50
Malaysia	4.5570-4.5680	2.5780-2.5810
Mexico	4033.30-4053.30	2280.00-2290.00
N Zealand	2.6620-2.6670	1.5050-1.5075
Saudi Ar.	6.6300-6.6355	3.7500-3.7510
Singapore	3.5635-3.5685	2.0145-2.0166
S Af (Cm)	3.7670-3.7865	2.1370-2.1400
S Af (Fn)	4.9130-5.0535	2.7775-2.8570
Taiwan	50.50-50.75	28.60-28.70
U.A.E.	6.4925-6.4985	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1769	+1.69	+0.88	±1.5344
Danish Krone	7.85212	7.88901	+0.47	-0.34	±1.5404
German D-Mark	2.05853	2.06669	+0.40	-0.41	±1.0981
French Franc	6.90403	6.99214	+1.28	+0.47	±1.3674
Dutch Guilder	2.31943	2.31991	+0.02	-0.79	±1.5012
Irish Punt	0.768411	0.775121	+0.87	+0.06	±1.6684
Italian Lira	1483.58	1522.84	+2.65	+2.37	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7655-1.7695	1.7675-1.7685	0.34-0.31cpm	2.21	1.06-1.01pm	2.34
Canada	2.2141-2.2245	2.2160-2.2170	0.10cdis-par	-0.27	0.35-0.22pm	0.51
Netherlands	3.36¼-3.37¼	3.36¼-3.37¼	1⅝-1½cpm	4.90	4⅝-3⅞pm	5.05
Belgium	62.58-62.76	62.65-62.75	22-7cpm	2.78	57-39pm	3.06
Denmark	11.43½-11.46¼	11.44-11.45	⅛pm-1oredis	-0.53	1pm-⅛dis	0.07
Ireland	1.1235-1.1365	1.1240-1.1250	0.08-0.12pdis	-1.07	0.23-0.30dis	-0.94
W. Germany	2.99½-3.00½	2.99½-3.00½	1½-1¼pfpm	5.75	4⅝-3⅞pm	5.67
Portugal	245.08-246.31	245.15-246.15	99-163cdis	-6.40	283-385dis	-5.44
Spain	201.14-201.67	201.15-201.45	19-42cdis	-1.82	69-100dis	-1.68
Italy	2205¾-2210½	2209½-2210½	par-5liredis	-1.36	3-10dis	-1.18
Norway	11.27-11.29¼	11.27½-11.28½	4½-5½oredis	-5.12	13-14½dis	-4.90
France	10.12-10.15	10.12-10.13	1⅝-⅛cpm	1.41	4-3pm	1.38
Sweden	10.61½-10.64¼	10.63-10.64	½-1¼oredis	-0.85	par-2dis	-0.38
Japan	228-229	228-229	1¼-⅛ypm	4.92	3¼-2½pm	4.92
Austria	21.01-21.08	21.01-21.04	9⅛-8½gropm	5.17	28-25½pm	5.08
Switzerland	2.47¾-2.49¼	2.48¾-2.49¾	1⅞-1¼cpm	7.54	4¾-4¼pm	7.14

Belgian rate is convertible francs. Financial franc 62.70-62.80. Six-month forward dollar 2.15-2.10cpm 12 month 4.02-3.92cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7655-1.7695	1.7675-1.7685	0.34-0.31cpm	2.21	1.06-1.01pm	2.34
Ireland†	1.5700-1.5732	1.5715-1.5725	0.14-0.09cpm	0.88	0.52-0.42pm	+1.38
Canada	1.2525-1.2570	1.2530-1.2540	0.19-0.22cdis	-1.96	0.56-0.59dis	-1.83
Netherlands	1.9010-1.9060	1.9040-1.9050	0.44-0.42cpm	2.71	1.28-1.25pm	2.66
Belgium	35.45-35.52	35.40-35.50	2.50-1.00cpm	0.59	7.00-4.00pm	0.62
Denmark	6.46¼-6.48¼	6.47-6.47½	0.70-1.40oredis	-1.95	2.65-3.35dis	-1.85
W. Germany	1.6935-1.6975	1.6960-1.6970	0.49-0.46pfpm	3.36	1.41-1.36pm	3.27
Portugal	138¼-139	138¾-139	85-115cdis	-8.64	250-300dis	-7.92
Spain	113.70-113.98	113.80-113.90	32-42cdis	-3.90	105-120dis	-3.95
Italy	1247-1251	1249¾-1250¼	3.30-3.80liredis	-3.41	11.00-12.00dis	-3.68
Norway	6.37-6.38	6.37½-6.38½	3.70-4.05oredis	-7.28	11.55-11.95dis	-7.36
France	5.73-5.74½	5.73½-5.74	0.32-0.42cdis	-0.77	1.50-1.60dis	-1.08
Sweden	6.00¼-6.01¾	6.01¼-6.01¾	1.35-1.65oredis	-2.99	3.90-4.60dis	-2.83
Japan	128.95-129.40	129.15-129.25	0.28-0.26ypm	2.51	0.83-0.80pm	2.52
Austria	11.89-11.91½	11.90¼-11.90¾	3.10-2.80gropm	2.97	8.40-7.40pm	2.65
Switzerland	1.4000-1.4070	1.4060-1.4070	0.64-0.61cpm	5.34	1.72-1.69pm	4.85

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.45-35.55.

EURO-CURRENCY INTEREST RATES

Mar.3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼-8⅞	9-8⅞	9-8⅞	9¼-9⅛	9⅜-9¼	9⅝-9½
US Dollar	6⅝-6½	6⅞-6⅝	6¾-6⅝	6¾-6⅝	6⅞-6¾	7⅛-7
Can. Dollar	8¼-7¾	8¼-8⅛	8⅝-8½	8⅝-8½	8⅝-8½	8⅞-8¾
D Guilder	3⅞-3⅝	3⅞-3⅝	4-3⅞	4⅛-3⅞	4¼-4	4⅝-4⅜
Sw. Franc	1¼-1	1⅝-1½	1⅞-1⅜	1⅞-1⅞	2⅜-2⅛	2⅞-2⅝
Deutschmark	3⅛-3⅜	3⅛-3⅜	3⅜-3⅛	3⅞-3⅜	3⅝-3⅝	3⅞-3⅝
Fr Franc	7⅛-7⅛	7⅝-7⅜	7⅝-7⅜	7⅞-7⅝	8¼-8	8⅝-8⅜
Italian Lire	11¼-9¼	10½-9½	10⅝-9⅞	10⅝-10¼	10¾-10⅜	11-10⅝
B. Fr. (Fin)	6½-6¼	6¼-6⅛	6⅝-6⅛	6⅜-6⅛	6⅝-6¼	6½-6⅜
B Fr. (Con.)	6¼-6	6¼-6	6⅛-6	6¼-6	6¼-6	6⅝-6¼
Yen	4-3⅞	3⅞-3¾	4⅛-4⅛	4⅛-4⅛	4⅜-4⅛	4⅝-4⅜
D. Krone	8½-8¼	8⅝-8¼	9⅛-8⅞	9⅛-8⅞	9⅛-8⅞	9⅛-8⅞
Asian $Sing	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	6⅞-6¾	7⅛-7⅛

Long term Eurodollars: two years 7⅞-7⅝ per cent; three years 8¼-8 per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.3	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.768	3.000	228.5	10.13	2.488	3.368	2210	2.217	62.70
$	0.566	1	1.697	129.2	5.730	1.407	1.905	1250	1.254	35.46
DM	0.333	0.589	1	76.17	3.377	0.829	1.123	736.7	0.739	20.90
YEN	4.376	7.737	13.13	1000.	44.33	10.89	14.74	9672	9.702	274.4
F Fr.	0.987	1.745	2.962	225.6	10.	2.456	3.325	2182	2.189	61.90
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Lacking fresh factors

TRADING IN financial futures was very dull yesterday, lacking any new factors. Dealers were at a loss to find any reason for movements in the market, and continued to await events later this month, including the UK Budget on March 15 and the US trade figures on March 17.

Most volume has now transferred to June settlement. Long term gilts for June delivery opened slightly easier at 121-29 on Liffe, and touched a low of 121-21, before closing at 122-01, against 121-31 on Wednesday.

On lack of any other news the market concentrated its attention on sterling's value against the D-Mark, which threatened to break through the DM3.00 level. Dealers suggested the Bank of England offered the pound at DM3.00, and this prevented any strong surge in the currency through the unofficial ceiling the market believes the Bank of England has set for sterling.

Three-month sterling deposits futures were equally quiet, with June delivery opening at 90.64, and trading in a narrow range of 90.60 to 90.65, before finishing at 90.63, compared with 90.60 previously.

June US Treasury bond futures rose slightly to 94-02 from 94-01 in very thin trading.

Japanese Government bond futures had a nervous tone, with the June contract opening at 107.95, and falling to 107.92, but closing above Wednesday's level of 107.69.

Nervousness resulted from fears that the Japanese stock market, will fail to hold on to its recent improvement, after showing a good recovery from the losses in October.

Dealers suggested that much of the recovery in Japanese share prices has been the result of window dressing by companies at the end of the financial year, and that this will soon be run off.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	51	—	641
106	—	—	—	—
108	—	—	—	—
110	1204	—	2	—
112	1007	—	5	—
114	815	—	13	—
116	627	—	25	—

Estimated volume total, Calls 2385 Puts 711
Previous day's open int. Calls 26021 Puts 19934

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
88	635	607	31	103
90	454	446	50	142
92	321	334	117	230
94	202	234	162	330
96	110	149	306	445
98	40	112	436	608
100	20	—	616	—

Estimated volume total, Calls 145 Puts 115
Previous day's open int. Calls 611 Puts 393

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
16500	1610	1887	20	77
17000	1156	1465	66	155
17500	760	1092	170	282
18000	450	778	360	468
18500	236	529	646	719
19000	109	342	1019	1032
19500	44	210	1454	1400

Estimated volume total, Calls 1 Puts 1
Previous day's open int. Calls 24 Puts 59

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
160	1690	—	0	—
165	1190	1190	0	6
170	690	690	0	45
175	209	321	29	181
180	10	108	330	468
185	0	25	820	885
190	0	4	1320	1364

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 336 Puts 657

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9250	69	67	0	10
9275	45	48	1	16
9300	21	33	2	26
9325	5	21	11	39
9350	1	11	32	54
9375	0	6	56	74
9400	0	—	81	—

Estimated volume total, Calls 20 Puts 100
Previous day's open int. Calls 2803 Puts 1621

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9000	76	72	0	9
9025	52	53	1	15
9050	28	37	2	24
9075	9	25	8	37
9100	1	16	25	53
9125	0	9	49	71
9150	0	5	74	92

Estimated volume total, Calls 90 Puts 227
Previous day's open int. Calls 7543 Puts 4961

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
1.700	6.75	7.00	7.30	7.60	0.05	0.55	1.15	1.80
1.725	4.25	4.95	5.40	5.90	0.05	1.00	1.80	2.50
1.750	2.05	3.25	3.85	4.40	0.10	1.80	2.70	3.50
1.775	0.55	2.00	2.60	3.25	1.10	3.00	4.00	4.90
1.800	0.10	1.20	1.80	2.35	3.10	4.60	5.55	6.40
1.825	0.05	0.65	1.20	1.75	5.50	6.50	7.35	8.15
1.850	-	0.40	-	1.20	7.95	8.65	-	10.05

Previous day's open int: Calls 392,648 Puts 405,279
Previous day's volume: Calls 25,006 Puts 9,284

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
1.60	23.90	-	-	23.80	0.30	-	-	0.50
1.65	11.75	-	-	18.65	0.25	-	-	1.30
1.70	6.50	6.75	7.15	7.85	0.25	1.00	1.75	2.45
1.75	2.10	3.25	4.05	4.85	0.65	1.75	2.85	4.00
1.80	0.30	1.40	2.10	2.50	3.55	5.50	6.50	6.45
1.85	0.30	0.70	1.00	1.35	9.05	9.65	10.10	10.00
1.90	0.30	0.30	0.50	1.10	13.90	13.90	14.00	14.80

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 309 Puts 558

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	122-07	122-12	121-28	122-05
Jun	122-01	122-06	121-21	121-31

Estimated Volume 23529(28181)
Previous day's open int. 29295(29332)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	97-08	97-10	97-06	97-08
Jun	96-31	97-00	96-28	97-00

Estimated Volume 227(162)
Previous day's open int. 3904(3926)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND
Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	108.75	108.75	108.70	108.48
Jun	107.92	108.00	107.90	107.69

Estimated Volume 512(544)
Previous day's open int. 755(687)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	90.76	90.76	90.73	90.73
Jun	90.63	90.65	90.60	90.60
Sep	90.55	90.55	90.53	90.54
Dec	90.45	90.44	90.42	90.44

Est. Vol. (inc. figs. not shown) 6265(6398)
Previous day's open int. 37135(37957)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	180.90	183.20	180.90	180.80
Jun	183.10	185.20	183.75	182.95
Sep				

Estimated Volume 1711(2401)
Previous day's open int. 8908(8825)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Mar	93.19	93.19	93.19	93.19
Jun	93.07	93.08	93.05	93.07
Sep	92.84	92.85	92.83	92.84
Dec	92.57	92.58	92.56	92.57

Est. Vol. (inc. figs. not shown) [illegible]
Previous day's open int. [illegible]

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	95-03	95-03	95-03	95-02
Jun	94-02	94-05	94-00	94-01
Sep	93-02	-	-	93-01

Estimated Volume [illegible]
Previous day's open int. [illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.7680	1.7674	1.7634	1.7676
Jun	1.7575	-	-	1.7567
Sep	1.7465	-	-	1.7450

Estimated Volume [illegible]
Previous day's open int. [illegible]

POUND-$ FOREIGN EXCHANGE [illegible]

IMM-STERLING $ per £ [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	94-31	95-09	94-30	95-01
Jun	94-00	94-08	93-29	94-00
Sep	93-00	93-09	92-31	93-01
Dec	92-03	92-09	92-03	92-05
Mar	-	-	-	91-11
Jun	90-19	90-21	90-19	90-19
Sep	-	-	-	89-28
Dec	-	-	-	89-07
Mar	-	-	-	88-20
Jun	-	-	-	88-02
Sep	-	-	-	87-17

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	94.35	94.37	94.35	94.35
Jun	94.37	94.38	94.36	94.37
Sep	94.17	94.17	94.16	94.17
Dec	-	-	-	93.89
Mar	-	-	-	93.64
Jun	93.46	93.46	93.46	93.43

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7133	0.7138	0.7128	0.7147
Jun	0.7217	0.7223	0.7213	0.7232
Sep	0.7295	0.7305	0.7295	0.7317
Dec	0.7395	-	0.7395	0.7402

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7745	0.7748	0.7737	0.7729
Jun	0.7793	0.7794	0.7783	0.7776
Sep	0.7847	0.7847	0.7835	0.7829
Dec	0.7888	0.7888	0.7888	0.7885
Mar	0.7945	0.7945	0.7940	0.7942

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5902	0.5907	0.5899	0.5900
Jun	0.5950	0.5955	0.5947	0.5949
Sep	0.6007	0.6007	0.5997	0.6002
Dec	-	-	-	0.6057

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	93.19	93.20	93.18	93.18
Jun	93.06	93.08	93.05	93.05
Sep	92.83	92.84	92.83	92.82
Dec	92.57	92.57	92.56	92.55
Mar	92.32	92.33	92.32	92.30
Jun	92.10	92.11	92.09	92.08
Sep	91.90	91.91	91.90	91.89
Dec	91.74	91.75	91.74	91.73

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	268.60	268.70	267.90	268.35
Jun	270.20	270.20	269.50	269.90
Sep	271.40	271.40	271.00	271.25
Dec	272.60	272.60	272.30	272.50

MONEY MARKETS

An easier tone in London

THERE WAS an easier tone to interest rates on the London money market yesterday. Three-month interbank fell to 9¼-9⅛ p.c. from 9⅜-9¼ p.c., in quiet trading, ahead of this month's Budget on March 15.

The strength of sterling on the foreign exchanges encouraged a lowering of rates.

The Bank of England initially forecast a money market shortage of £250m, but revised this to £300m at noon, and to £350m in the afternoon. The authorities provided total help of £222m.

UK clearing bank base lending rate 9 per cent from February 2

Before lunch the central bank bought £5m bank bills in band 1 at 8¾ p.c. In the afternoon the authorities gave further assistance of £142m, buying band 1 bank bills at 8⅞ p.c.

Late assistance of £75m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take up of Treasury bills drained £289m, with a rise in the note circulation absorbing £70m, and bank balances below target £95m. These outweighed Exchequer transactions adding £190m to liquidity.

In Paris the Bank of France left its money market intervention rate at 7¼ p.c. at yesterday's securities repurchase tender, when injecting funds into the market against first category paper.

The Bank of France allocated a total of FFr22.7bn at yesterday's pact, which runs until March 23, and was less than the FFr37.5bn leaving the market today, as an earlier agreement expires.

The intervention rate was last changed on January 25, when it was cut from 7½ p.c.

In Frankfurt call money was unchanged at 3.25 p.c. in quiet trading, with banks well supplied with liquidity. The market had a slightly softer tone, as banks held a relatively high level of reserves at the Bundesbank of DM65.6bn on March 1, against expectations of a minimum average requirement of DM55m.

Conditions are likely to remain comfortable for the rest of the week, but a round of tax payments on behalf of customers will temporarily withdraw large amounts of money around March 10.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.3) 3 months US dollars: bid 6¾, offer 6⅞ — 6 months US Dollars: bid 6⅞, offer 6⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) [illegible]

[illegible]

LONDON MONEY RATES

[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Mar. 1459/1471 +3	Mar. 1810/1822 +4	Mar. 2058/2072 -12
Jun. 1476/1488 +4	Jun. 1831/1843 +3	Jun. 2070/2084 -12

Prices taken at 5pm and change is from previous close at 9pm

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, March 2, 1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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ECU=$US1.22382 SDR1=$US1.1.36117
As of March 2, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	$6\frac{13}{16}$	6⅞
Sibor:	$6\frac{13}{16}$	6⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60(o)
Albania	Lek	5.6921
Algeria	Dinar	5.208
Andorra	French Franc / Spanish Peseta	5.7132 / 113.49
Angola	Kwanza	29.918
Antigua	E. Carribean$	2.70
Argentina	Austral	4.595
Aruba	Florin	1.79
Australia	Australian$	1.3854
Austria	Schilling	11.85
[illegible]	[illegible]	[illegible]
Greenland	Danish Krone	6.448
Grenada	E. Caribbean $	2.70
Guadaloupe	Local Franc	5.7132
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00(o) / 2.555(h,l)
Guinea	French Franc (p)	440.00 / 300.00
Guinea-Bissau	Peso	650.00
Guyana	Dollar / Dollar (a)	10.00 / 20.00
[illegible]	[illegible]	[illegible]
Pakistan	Pakistan Rupee	17.5939
Panama	Balboa	1.00
Papua New Guinea	Kina	0.8969
Paraguay	Guarani	320.00(o) / 550.00(p) / 876.00(d)
Peru	Inti (o,n,4) / Inti (f)	33.00(o)(n) / 71.69(f)
Philippines	Peso	21.01
[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	9
American Exp. Bk	9	Consolidated Cred	9	PK Finans. Intl(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williamson Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	§10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk.	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit. Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Banking Corp.	9		

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The European Options Table was not available for this edition

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FT CROSSWORD No.6,572

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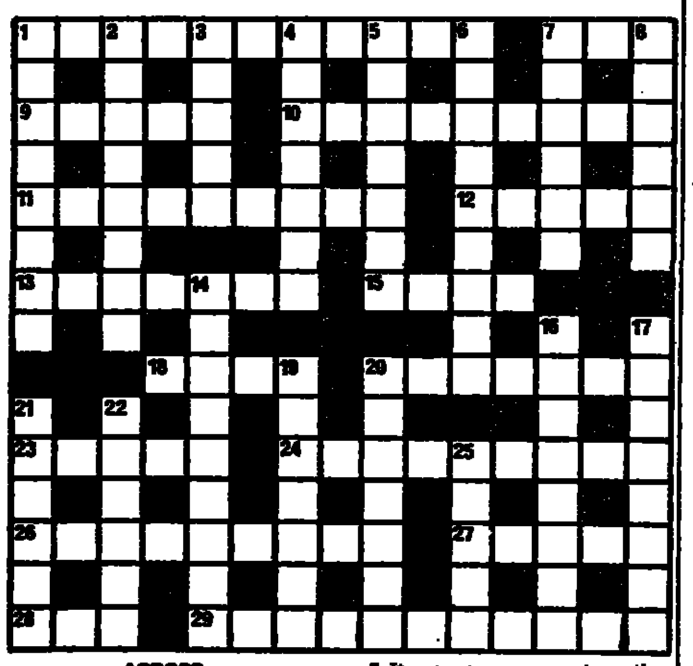

ACROSS

1 Paying for yourself twice – it's incomprehensible (6,5)
7 Try to command (3)
9 Shilling article sent back by a rich man (5)
10 Decoding any signal that's broadcast (9)
11 Youngsters eat greens for development (9)
12 Brief return to eastern armistice (5)
13 Make nothing of it being fully in order (7)
15 Club for those who like a bit of spice! (4)
18 Off beat classical character (4)
20 Maybe Emil's so supple (7)
23 Composer of the twist (5)
24 Be not as important as many (9)
26 It involves places and composition (9)
27 Rosie's willowy form (5)
28 A river – doesn't sound like the Dee! (5)
29 Orator needs them so badly (11)

DOWN

1 Meaning the room has got in a mess (8)
2 It's not fair for me to use this! (8)
3 Sign for a note in Italian money (5)
4 Yearned anew for clerical office (7)
5 It may appear smart on the stern of a boat (7)
6 Piles of food the farmer may plunge his fork into (9)
7 Maybe I ruthlessly retain capital (6)
8 Followed in a persistent way (6)
14 Idle ideas turned out to be perfect (9)
16 Cause of cracks that may bring down the house (8)
17 Vandalised rosebeds may need patient care (8)
19 Chasing a double century I hit out and get it (7)
20 Beys of victory (7)
21 Metal grating to cook eggs initially (6)
22 A rendezvous lined with trees (6)
25 It's not long young (5)

Solution to Puzzle No.6,571

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RECORD SLASHING
A O A   A U D U
MANTIS TRUNCATE
P T S C K D H R
AIRTIGHT ARNOLD
R A N A L I   O
TALC ARMAGEDDON
  T V I Y S R
PROPERTIES COOP
R   G Y T A M A
ELEVEN STARLESS
L D T D E D D T
ANIMATED DONATE
T T T A   U R U
EASTERLY PRAYER
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6903/4/5

Scimitar Global Gth Ac.	28.6	30.5	+0.1	–
Do. Income	28.4	30.3	+0.1	0.19
Scimitar European Acc.	21.1	22.5	–	–
Do. Income	21.1	22.5	+0.1	0.11
Scimitar UK Eq Inc Acc.	36.1	38.0	+0.4	–
Do. Income	33.7	35.5xd	+0.4	5.99
UK Cap Gth Acc.	24.5	25.8	+0.4	0.75
Scimitar Pac Basin Acc.	30.0	32.0	–	–
Scimitar Mngd Exempt	141.2	147.1xd	+2.6	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Initial Income Units	130.7	139.0	–	3.34
Initial Accum Units	200.2	213.0	–	3.34
UK General Acc.	38.3	41.0	+0.6	3.38
UK General Inc.	36.8	39.4	+0.5	3.38
American	27.8	29.7	+0.2	2.15
European	35.5	38.0	–	1.26
Japan	58.1	62.1	-0.2	0.03
Technology	35.6	38.1xd	+0.4	2.29
Performance Trusts				
Far East Perf Tst	18.3	19.6	+0.2	2.00
High Inc Perf Tst Inc.	24.0	25.7	+0.3	5.36
High Inc Perf Tst Acc.	24.5	26.2	+0.3	5.36
Worldwide Tech Perf Tst	28.3	30.3	+0.2	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	210.9	225.6	+2.2	2.6
Columbus (US)	134.7	144.1	+0.9	1.30
Marco Polo (Pac)	214.7	231.8	-0.3	0.28
Da Vinci (Eur)	225.7	241.4	+0.8	1.65
Drake (Ww)	53.1	56.8	+0.3	2.64

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	204.5	217.6	+2.4	2.70
UK Smlr Cos. Equity	209.1	222.5	+1.4	1.95
UK Special Situations	60.2	64.1	+0.8	2.95
Income Plus	52.0	55.4	+0.3	5.38
European	163.7	174.2	+0.7	1.62
Far Eastern	51.6	54.9	+0.5	2.28
[illegible]				

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4555

TUUT Mar 1	212.5	223.2xd	–	3.22

Triton Fd Mngs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	147.6	158.8	+1.8	1.56

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	58.5	62.1	+0.5	6.42
Accum Units	60.2	63.9	+0.5	–
Income	79.8	84.6	+0.6	5.08
Accum Units	79.8	84.6	+0.6	–
Smaller Co's	82.7	87.7xd	-0.1	1.85
Accum Units	83.6	88.6	–	–
UK Growth	85.4	90.5xd	+1.0	2.29
Accum Units	86.5	91.7	-1.0	–
Pacific Gold Tst.Acc.	47.6	50.5	–	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd.	58.7	62.5	+0.5	1.71
Technical Analysis Fd.	51.1	54.4	+0.8	3.34

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd.	176.3	187.6	–	1.62
Friars Hse Inc Fd.	150.2	159.1	–	5.82

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	170.6	181.4	+1.4	4.65

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Charifriars	181.4	193.0	–	1.41
(Accum Units)	184.9	196.7	–	–
Far East & Gen.	55.9	59.5	-0.2	–
(Accum Units)	55.9	59.5	-0.2	–
Master Portfolio	66.444	68.148	+0.301	3.04
(Accum Units)	68.285	70.036	+0.310	–
American & Gen.	57.9	61.6	+0.7	1.98
(Accum Units)	58.7	62.4	+0.8	–
Growth	211.1	224.6xd	+1.6	1.95
[illegible]				

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	374.6	394.4	...	-
Eb'r Ph Eq.	316.0	337.6	...	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.0	173.6	+2.1	-
International Acc.	130.0	136.8	-0.1	-
Property Acc.	125.4	132.0	----	-
Fixed Interest Acc.	154.9	163.0	-0.1	-
Money Acc.	136.8	143.9	----	-
Bldg. Soc. Link Acc.	133.8	140.8	----	-
Special Mngd. Acc.	147.0	154.7	+0.9	-
Phoenix/Framlington				
Intnl. Growth Acc.	90.0	94.7	+0.4	-
Amer & Gen. Acc.	83.7	88.1	+0.1	-
Capital Tst. Acc.	172.1	181.1	+0.5	-
Japan & Gen Acc.	183.0	192.6	+0.3	-
American Turn. Acc.	83.6	87.9	-0.1	-
Recovery Tst. Acc.	169.0	177.8	-0.4	-
Special Mngd Acc.	143.1	150.6	+0.4	-
Phoenix/GT				
International Acc.	123.4	129.8	+0.1	-
US & General Acc.	92.2	97.0	-0.1	-
Amer Spec Sits Acc.	66.1	69.5	+0.3	-
Japan & General Acc.	178.2	187.5	+1.0	-
Far East & Gen. Acc.	140.9	148.3	+0.7	-
UK Capital Acc.	171.0	180.0	+0.4	-
European Acc.	136.0	143.1	+1.0	-
Special Mngd Acc.	126.1	132.7	+0.4	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.1	280.2	----	-
Man Pens Inc & Cap Fds.	340.3	358.3	----	-
Money Fund	111.4	117.3	----	-
Pens Mngd Fd (Unit)	83.5	87.9	----	-
Pens Mngd Fd (Acc)	93.9	98.9	----	-
Pens FT30 Fd (Unit)	128.1	134.9	----	-
Pens FT30 Fd (Acc)	144.0	151.6	----	-
Pens O'seas MgFd(Unit)	56.7	59.7	----	-
Pens O'seas MgFd(Acc)	63.7	67.1	----	-
Pens Fxd Int Fd (Unit)	104.7	110.3	----	-
Pens Fxd Int Fd (Acc)	117.6	123.8	----	-
Pens Deposit Fd (Unit)	100.9	106.3	----	-
Pens Deposit Fd (Acc)	113.4	119.4	----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	89.0	94.0	+1.0	-
Building Soc. Fd.	158.0	167.0	----	-
Balanced	232.0	245.0	[illegible]	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Mar 2	196.7	204.9	+1.1	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	437.7	460.8	-2.5	-
Equity Fd.	888.1	934.9	+9.2	-
Intnl Fd	309.8	326.2	+0.7	-
Fixed Int. Fd.	366.2	385.5	-0.1	-
Prop Fd.	306.1	322.3	----	-
Cash Fd	234.4	246.8	-0.1	-
Pacific Basin Fd	171.6	180.7	----	-
North American Fd.	126.0	132.7	+0.5	-
European Fd.	133.0	140.1	+0.1	-
Holborn Balanced Gwth Fd	99.3	104.6	+0.4	-
Holborn Strategic Gwth Fd	97.6	102.8	-0.2	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	466.0	490.6	+3.2	-
Equity	663.4	698.4	+6.7	-
Global Equity	196.5	206.9	+0.7	-
Fixed Interest	372.4	392.0	+0.7	-
Property	306.9	323.1	----	-
Cash	137.8	145.1	----	-
Index Linked Gilt	163.5	172.2	+0.2	-
Guaranteed	8.96		----	-
International Money	187.2	197.1	----	-
North American Fd.	56.4	59.4	+0.8	-
Japanese Fund	124.8	131.4	+0.5	-
European Fund	70.2	73.9	+0.1	-
Special Situations Fd.	96.1	101.2	+0.7	-
Communications Fund	80.4	84.7	+0.7	-
Smaller Cos Fund	94.4	99.4	+0.5	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 2	£123.31	126.84	+0.87	-
Equity Fund Mar 2	£131.53	135.50	+1.12	-
Intnl Fund Mar 2	£21.15	21.85	+0.09	-
Intl Bond Fd Mar 2	£10.98	11.13	-0.01	-
Fixed Int Mar 2	£67.46	68.32	+0.45	-
Index Linked Mar 2	£51.63	52.26	+0.28	-
Property Fund Mar 2	£79.15	83.82	-0.03	-
Cash Fund Mar 2	£18.2642	18.2642	+0.0300	-
Pre-Linked Retirement Plan				
Managed Fd Mar 2	310.0	323.0	----	-
Cash Fund Mar 2	172.9	180.3	----	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

High	Low	Stock	Price £	+ or -	Int.	Red.
95¾	87¼	Funding 5¼pc '87-91‡‡	93⅞	+⅛	6.14	8.11
90⅞	80¼	Treas. 3pc 1991	88⅞	-⅛	3.38	6.97
110¾	98½	Treas 10pc Cv '91 ‡‡	104	+⅛	9.61	8.58
109¾	101	Exch. 11pc 1991	105	+⅛	10.42	9.15
99	91	Treas. 8pc 1991	96	+¼	8.27	9.04
116	107	Treas 12¾pc 1992‡‡	111	+⅛	11.44	9.15
106	97	Treas 10pc 1992	102	+⅛	9.73	9.15
99½	90	Treas. 8pc 1992 ‡‡	96	+¼	8.31	9.09
108	99½	Treas 10½pc Cv 1992‡‡	104½	+⅛	10.05	9.17
86½	79	Treas. 3pc 1992	85	-⅛	3.52	7.05
115⅞	105	Exch. 12¼pc '92	110	+⅛	11.04	9.20
121	110	Exch 13½pc 1992	115½xd	.....	11.69	9.23

Five to Fifteen Years

High	Low	Stock	Price £	+ or -	Int.	Red.
107	97	Treas 10pc 1993‡‡	103¼	-⅛	9.68	9.17
118	107½	Treas 12½pc 1993‡‡	113	.....	10.99	9.19
95¾	82¼	Funding 6pc 1993‡‡	92xd	-⅛	6.51	7.77
125	113¼	Treas 13¾pc 1993‡‡	119	+⅛	11.52	9.29
129	117½	Treas 14½pc 1994‡‡	123⅝	+⅛	11.73	9.26
124	112	Exch 13½pc 1994	118	.....	11.39	9.36
107¾	97	Treas. 10pc Ln. 1994‡‡	103	.....	9.64	9.19
120	106	Exch. 12½pc 1994	114	.....	10.88	9.36
103¼	92	Treas 9pc 1994‡‡	99	+⅛	9.03	9.06
118¼	105	Treas 12pc 1995	113	-⅛	10.61	9.36
84¼	76	Exch 3pc Gas 90-95	82	-⅛	3.62	5.97
109	97¼	Exch. 10¼pc 1995	105	+⅛	9.74	9.25
129	110	Treas 12¾pc 1995‡‡	118⅝	+⅛	10.77	9.34
130	116¼	Treas. 14pc '96	124	+⅛	11.24	9.49
102	92	Treas. 9pc 1992-96‡‡	99½xd	+⅛	9.04	9.08
139	123	Treas 15¼pc 1996‡‡	132	+⅛	11.53	9.48
127	113	Exch 13¼pc 1996‡‡	121	+⅛	10.87	9.35
89	81¼	Redemption 3pc 1986-96	85¾xd	.....	3.50	5.07
108	95¾	Conversion 10pc 1996	103	+⅛	9.62	9.31
128	113½	Treas 13¼pc 1997‡‡	122	+⅛	10.81	9.42
111	98¼	Exch 10½pc 1997	106	+⅛	9.82	9.33
101	88	Treas 8¾pc 1997‡‡	97	+⅛	8.99	9.17
97	92½	Tr 8¾pc Ln "C" 1997	97	.....	9.01	9.20
140	123	Exch 15pc 1997	133	+⅛	11.25	9.61
106	93	Exch. 9¾pc 1998	102	+⅛	9.50	9.33
88	78	Treas 6¾pc 1995-98‡‡	85	+⅛	7.90	8.95
145	128	Treas. 15½pc '98‡‡	138xd	+⅛	11.17	9.58
122	107	Exch. 12pc 1998	116	-⅛	10.27	9.44
106	92	Treas 9½pc 1999‡‡	102	-⅛	9.30	9.17
124	109	Exch. 12¼pc 1999	119xd	+⅛	10.29	9.44
113	98½	Treas. 10½pc 1999	107	.....	9.73	9.34
111	96	Conversion 10¼pc 1999	106¼	-⅛	9.64	9.34
100¼	86	Treas. 8½pc Ln 2000‡‡	95	-⅛	8.90	9.34
103	89½	Conversion 9pc 2000‡‡	98	.....	9.12	9.18
131¾	114¾	Treas. 13pc 2000	125	.....	10.39	9.50
110	95	Treas 10pc 2001	105	-⅛	9.49	9.27
134	118	Treas. 14pc '98-01	128¼	-⅛	10.92	9.59
108	93	Conversion 9¾pc 2001	103⅝	-⅛	9.40	9.26
122⅝	107	Exch. 12pc '99-02	116	-⅛	10.27	9.47
110	96	Conversion 10pc 2002	105	-⅛	9.45	9.24
109	94	Treas 9¾pc 2002	104	-⅛	9.36	9.22
103	89	Exch. 9pc 2002	98	-⅛	9.13	9.17

Over Fifteen Years

High	Low	Stock	Price £	+ or -	Int.	Red.
136	119	Treas. 13¾pc 2000-03	130	+⅛	10.56	9.53
111	96⅝	Treas 10pc 2003	106½xd	+⅛	9.39	9.20
121	105¼	Treas. 11½pc 2001-04	115xd	+⅛	9.92	9.36
111	96	Treas. 10pc 2004	106	+⅛	9.36	9.18
59¾	51¼	Funding 3½pc '99-04	58	+⅛	6.02	8.19
107	92¾	Conversion 9½pc 2004	102⅝	.....	9.23	9.14
107⅝	92	Conversion 9½pc 2005	103	.....	9.22	9.13
116¼	101	Exch. 10½pc 2005	111xd	.....	9.38	9.12
132	115	Treas. 12½pc 2003-05	126	-⅛	9.88	9.25
94	81¼	Treas. 8pc 2002-06‡‡	90xd	.....	8.81	9.05
110⅛	95	Conversion 9¾pc 2006	105⅝	.....	9.29	9.13
126¼	108	Treas. 11¾pc 2003-07	119⅞	-⅛	9.79	9.24
99	85	Treas 8½pc 2007 ‡‡	95	-⅛	8.90	8.98
142	123	Treas. 13½pc '04-08	135xd	-⅛	9.96	9.22
104	89	Treas. 9pc 2008 ‡‡	100	.....	8.99	8.99
102	90½	Treas. 9pc Ln 2008 "A"	100	.....	8.98	8.97
94	81	Treas 8pc 2009	91xd	+⅛	8.79	8.95

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Schroders Asia Limited
25th Floor, 2 Exchange Sq, Hong Kong. 5-211693

Asian Fund	$5.20	5.88
Currency & Bond Fd Inc	$1.40	1.70
Currency & Bond Fd Acc	$3.79	4.02
Energy Fund	$3.98	4.28
North American Fund	$4.51	4.80
Gold Fund	$3.68	3.95
Hong Kong Fd	$9.60	10.15
International Trust	$5.39	5.74
Japan Fund	$71.47	76.76

Schroders Australia Ltd
20 Bond St, Sydney, NSW 2000. Telex 20388

Thornton Management Ltd.
39 Cavendish Square, London W1M 7HF.

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27½	2¾	Southwestern Bell $1	21½		$2 32	–	5 9
22¼	994p	♦Staley Continental	13½		80c	–	3.2
44⅝	21⅝	Sun Co Inc. $1	38½	+¼	$3 00	–	5 4
42¼	22¼	TRW Inc. 62½c	27	–¾	$1 60	–	3 2
37⅞	21	Tenneco $5	24¼	+½	$3 04	–	6 9
220	149½	Do 10pcLn.Stk. 91-6	155		10%	–	14.7
29⅝	15⅝	Texaco $6.25	24⅜	+⅜	$3.00	–	6.6
74⅞	36⅝	Time Inc. $1	52⅝	+1¼	$1 00	–	1 0
30¼	15	Transamerica $1	20	+¼	$1 84	–	5 0
14⅞	1¼	Transworld Corp $5	946p		20c	–	1 2
27¼	12¼	TRINOVA Corp	19⅛	+⅛	56c	–	1 6
24⅞	12⅞	♦USX $1	18⅞	–¼	$1 20	–	3 5
37⅞	16¾	Utd Technologies	22¾		$1 40	–	3 4
38⅝	25⅞	US West	31⅛		$3 28	–	5 8
30½	17½	Waste Management $1	28½	–¼	36c	–	1 0
31⅝	11⅞	Whirlpool $1	16⅜	+⅛	–	–	–
37⅛	16½	♦Woolworth $3½	26½	+¼	$1 32	–	2 7

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	248p	–4	–	–	–
26¼p	10p	♦Abbot Energy Corp	18p		–	–	–
18⅛	506p	♦Amer Barrick Res	11⅝	+¼	–	–	–
141p	3½p	♦American Lightwave	4½p		–	–	–
122p	25p	♦Armeno	29p		–	–	–
117p	39½p	♦Augmitto Explo	51p		–	–	–
19⅞	10⅝	Bk. Montreal	11⅞		$2 00	–	7 4
10½	488p	Bk Nova Scot.	585p	–10	72c	–	5 4
20⅝	15	BCE	17½		$2 44	–	6 1
10⅝	511p	♦Bow Valley	704p	–8	♦40c	–	2.5
20	10⅛	♦Brascan	11⅞	+¼	88c	–	3 3

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	......
Craig & Rose £1	443	......
Finlay Pkg. 5p	78	......
Holt (Jos) 25p	£11⅝	−⅛

Arnotts	385	......
CPI Hldgs	75	......
Carrol Inds	162	......
Hall (R. & H.)	105	......
Heiton Hldgs	44	......
Irish Ropes	120	......
Unidare	355	+5

IRISH

Fund 11¼% 1988	£100⅝	......
Nat. 9¾% 84/89	£100⅛	......
Fin. 13% 97/02	£114⅝	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	118
Guardian	87
GKN	38
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	38
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	20
Land Securities	48
MEPC	46
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	10
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Options Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apr 7	Apr 8	Apr 18

*New time dealings may take place from 9.00 am two business days earlier.

Bonds neglected and profit-takers appear after another advance in share prices

ANOTHER POWERFUL advance in the UK equity market ran out of steam towards the close when buying support cooled off in the face of a dull start on Wall Street. Confidence that share prices will remain firm in the run-up to Budget Day appeared undimmed, however, and equity turnover continued to expand.

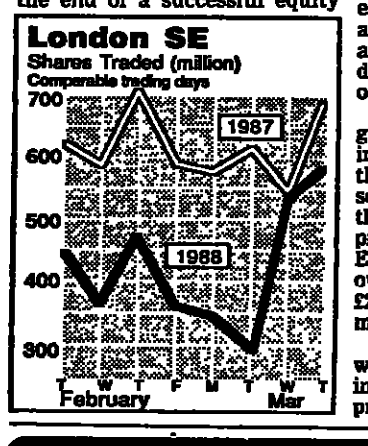
Although share prices reacted sharply at the end of the day, the market consolidated just above FT-SE 1810, regarded as another important testing level, and the shakeout appeared to be no more than an expected check following the successful move into new territory.

The opening of new-time business for the Budget trading account in the equity market, which begins on Monday, brought in the expected buyers whose impending appearance helped spur the market ahead on Wednesday. Turnover slackened off as the market slipped back, but the Seaq share volume total of 579.7m (at 5.00pm), exceeded Wednesday's figure, signalling the busiest session of this year.

The FT-SE 100 Index closed a net 4.6 up at 1813.3 after falling away steadily during the afternoon. The day's peak, of 1826.4, came early as the market celebrated the arrival of the new-time buyers, who were quickly followed by good trading results from Royal Dutch/Shell.

Once again, equities were helped for much of the session by a healthy premium on the March contract on the FT-SE 100 Index. But the premium melted away when Wall Street opened, and the contract dipped through the resistance level of 181, to finish at 180.8 - 180.9, a discount against the underlying index.

Traders said there was little selling pressure as the stock market backtracked from its highs, and pointed out that today brings the end of a successful equity market trading account, with ample opportunities for profit-taking.



The blue chip stocks continued to hog the market's attention, with second line issues slow to follow the market uptrend. Consequently, Wall Street's initial uncertainty brought a swift reaction in such international favourites as ICI and Glaxo, both of which have been heavily bought from the US in recent sessions.

Takeover activity, often regarded as a sign of a confident equity market, flared up again. BAT Industries announced a revised offer for Farmers Group and Beazer also commenced a major takeover move in the US, while RTZ's sale of Castle Cement set in train a major shift in the domestic cement industry.

Once again, the Government bond market was overshadowed by the revived institutional interest in equities. With the US Federals markets also quieter, UK Gilts appeared to lose momentum, although the firmness of sterling kept bond prices firm. "With the pound bumping DM 3.00, there is no way that UK base rates can rise", commented one dealer.

Long dated bonds put on ¼ or so as dealers kept a wary eye on prospects for a new tap stock this afternoon. Among the index-linked issues, the '96 issue continued to edge ahead, putting on ½ point. But the rest of the sector was neglected and closed a shade lower on the day.

Plessey remained the focus of attention in the electronics sector as talk of an imminent raid on the shares, after the recent stake-building exercise, continued to swirl. The share price, exceptionally strong late on Wednesday when talk suggested the so-called "raid" would arrive yesterday, initially touched 176p before dipping swiftly to end the session a net 5½ off at 168p; turnover was 7.6m shares, well down on previous day's 14m.

STC, regarded by many observers as favourite to launch a bid and to have built the stake of around 4 per cent in Plessey, drifted back 3 to 247p with turnover totalling 1.3m shares.

RTZ, the mining and industrial group, touched 376p prior to closing 20 higher at 370p on news that the company had agreed to sell its subsidiary Castle Cement, the UK's second-largest cement producer, to Aker Norway and Euroc of Sweden, which will each own 50 per cent. RTZ will collect £230m, which includes the repayment of debt by Castle.

Dealings in Aker and Euroc were suspended yesterday pending details of the deal and this prompted strong speculative buying of Rugby, another UK cement producer seen as a possible target for a consortium bid. Rugby were bought up to 271p ahead of the RTZ announcement, but fell back as takeover hopes were dashed to close only 3 higher on balance at 260p.

C.H. Beazer, the UK house-building and property group, dipped 15 to 192p as the company astonished the City by launching a $45 per share cash tender offer for Koppers, one of the largest aggregates companies in the US.

The offer, valuing Koppers at approximately $1.3bn (£720m), will be funded by a financial package put together by Shearson Lehman and Citibank, as well as by Beazer's existing resources.

Shell's preliminary results — at the top end of market expectations — and the final dividend were given a good reception by traders and the shares quickly edged higher before dipping back to close barely changed on balance at around 1020p; turnover was 2.3m, well ahead of normal daily levels for Shell.

The stock was slightly unsettled by a further bout of switching into BP but dealers expect income funds to support the shares ahead of Monday when the stock goes "ex" the dividend.

The major buyers of BP "old" and "new" returned for both classes, where turnovers totalled 8.4m and 14m respectively. The "old" ticked up to 252p at one point before easing back late to close a fraction easier at 249p while the "new", bought up to 65p, closed a shade off at 63p.

Trade in other oil shares, "held up surprisingly well given the dismal performance of oil prices", one dealer said. Enterprise Oil featured with an 8 gain at 302p as "new-time" buyers chased the stock on hopes that the long-awaited drilling news from the North Sea will be known soon. LASMO, a major holder of Enterprise shares, rose 3 to 292p.

BAT Industries emerged with some gusto from a lengthy spell of relative inactivity. The reason for the surge in interest was said to be relief that the offer for Farmers Group of the US had been increased by only a token amount. Recent speculation had centred on a possible higher bid of $70 per Farmers share so the market was quite satisfied with new terms of $63 per share against the original $60.

Marketmakers thought the latest offer, "an opening gambit, but bullish for the shares". Good investment support emerged, mostly on domestic account although a trace of US interest was noted later. Bat shares moved forward strongly to close 13 higher at 459p.

Allied-Lyons were one of few Alpha stocks to move against the run of play. Confirmation that Bond Corporation of Australia had increased its shareholding to 6.28 per cent and intended to raise funds via a Eurobond issue, convertible into Allied-Lyons shares, failed to trouble the shares initially.

But when the two lead brokers to the issue, which was upped from an original £100m to £125m because of good demand, began to sell stock for the purpose of switching into the bond, the shares reacted. A fair two-way trade developed at the lower price levels with genuine investment demand countering profit-taking from Account speculators. Volume rose steadily, totalling 5.6m shares at the close when Allied-Lyons were 7 down at 364p.

British Aerospace shares had another busy session (7.4m shares were traded), with the price treading water at 343p as the market continued to assess the implications of the planned Rover acquisition.

The major institutions appear to have decided to hold their stock positions pending further details of the plan - specifically, the write-offs of Rover's loans that must be arranged with the UK Government. The next market hurdle comes on Thursday when Rover discloses its profits statement.

Aukett Associates, the diversified building group, made a bright market debut; the shares, placed at 95p, opened at 98p and progressed to 108p prior to closing at 104p.

H.T. Hughes and Norfolk House, the two Unlisted Securities Market newcomers, also fared well. The former, a waste management group, touched 80p before settling at 78p, compared with a placing price of 64p, while the latter, an operator of service stations, opened around the placing price of 100p and moved ahead to 111p at one point before finishing at 108p.

Brewery issues, apart from Allied-Lyons, were pushed to the sidelines as interest shifted to other sectors. Guinness gave back some of the recent rise to end 6½ easier at 307½p but Bass nudged up a few more points to 885p, despite renewed selling by one investment house.

Leading Buildings made a strong start to the session, but eased back later as interest petered out. Blue Circle, some 19 points higher on Wednesday having been granted planning permission for a 600 acre site in Essex, moved to to 453p initially before slipping back to close virtually unchanged at 448p. Taylor Woodrow were 8 higher at 399p reflecting a squeeze on bear positions, while Costain continued to edge forward to close 6 dearer at 311p on hopes that Trafalgar House may increase its holding in the company from the current 6.3 per cent. Vibroplant advanced 25 to 623p on plant hire prospects and Baldwin rose 20 to 120p in a restricted market. "New time" buying lifted Meyer International 7 to 371p, but profit-taking left Magnet 6 cheaper at 240p.

In the Chemical sector, Allied Colloids attracted support following a recommendation from securities house UBS Phillips and Drew and the close was 6 up at 137p.

Marks and Spencer were 2½ easier at 177p still reflecting the uncertainties over the Brooks Brothers deal which hinges on the battle for control of Federated Department Stores; turnover approached the 4m mark.

British Telecom settled a shade easier at 248p after a substantial amount of US-sourced business - turnover topped 5.7m shares. Cable & Wireless continued to draw support generated by the recent visit by analysts to the company's Hong Kong operations, and the shares settled 2½ to 157p with plenty of activity seen on the inter-dealer broking screens. Racal, turnover 5.1m, managed a minor gain at 232p. Amstrad were unsettled by Press mention and dipped 3 to 156p on turnover of 4.2m. BSR, reporting interims on Monday, edged up 3 to 87p.

Recently-firm Cadbury Schweppes encountered light profit-taking and settled 3 cheaper at 267p following preliminary profits bang in line with market estimates.

Among Food Retailers, J. Sainsbury attracted good support and gained 11 to 235p following "buy" recommendations from James Capel, the agency brokers, and Warburg, the securities house. Tesco were also firm at 162p, up 4 and ASDA-MFI added 2 to 178p; both companies are favoured by Phillips and Drew, the securities house.

Ranks Hovis McDougall touched 329p prior to closing 2 dearer at 327p ahead of a City seminar.

International stocks enjoyed early solid support, but settled below the best as early Wall Street influences came into play. Glaxo, up to £11⅛ initially on attempted UK covering of a US short position, were finally ⅛ higher at £11; the interim results are due on March 14. Fisons firmed 3 to 249p on further consideration of the recent results and Beecham rose a similar amount to 474p.

Christies International, a rising market recently, raced up to 595p before closing a net 30 up at 584p as Phillips Son and Neale, the privately-owned auctioneers, disclosed a "strategic" 5.06 per cent in the Ordinary shares of the company.

Hanson settled 3 lower at 140p on a turnover of 10m shares as rumours emanating from Wall Street overnight that the company is in discussions with Carl Icahn, the chairman of TWA about making a friendly joint offer for Texaco began circulating. Hanson and TWA refused to comment.

Lex Service revealed annual profits a shade below the median forecast but the shares advanced strongly as analysts began to upgrade this year's estimates in view of continued buoyancy in the group's automotive activities. The close was 17 up at 340p.

Associated Newspapers staged a revival, helped by talk of an impending broker's circular, to settle 9 up at 460p while United Newspaper rose 7 to 429p ahead of the preliminary statement, due on March 30. Reed International were bought again, although marketmakers dismissed stories of newspaper predators building up stakes, and the close was 9 higher at 431p. Annual results substantially above the highest market estimate encouraged a resumption of interest in WPP, 11 better at 535p while FKB jumped 20 more for a two-day rise of 45 to 270p.

P & O shares continued to emerge from the shadow of the Zeebrugge disaster.

Traded option activity continued to expand, the total number of contracts rising to 35,897 comprising 25,003 calls and 10,894 puts. The FTSE contract saw active business (1,036 calls and 2,520 puts). Marks and Spencer registered 427 calls and 802 puts with much of the business transacted in the April 180's. Oils attracted a good two-way business. British Gas, 1,470 calls and 471 puts, saw sellers of April 140 calls and buyers of October 140 calls. Cadbury Schweppes attracted 888 calls and 147 puts in the wake of the satisfactory annual results. Hanson registered 3,001 calls and 302 puts.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Money was given for the call of Eurotunnel, Helene of London, Amstrad, MBS, Cambium Venture Capital, Barratt Developments, Wheway, Sound Diffusion, Stormguard, Mersey Dock units, Scottish & Newcastle and Eagle Trust. A double was arranged in BP partly-paid.

FINANCIAL TIMES STOCK INDICES

	Mar. 3	Mar. 2	Mar. 1	Feb. 29	Feb. 26	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.41	†90.39	90.47	90.26	90.03	89.29	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.52	96.47	96.55	96.43	95.79	94.60	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1463.6	1467.9	1439.1	1429.5	1423.7	1602.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	241.8	241.4	238.6	234.0	244.9	346.7	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.36	4.36	4.44	4.47	4.49	3.63				
Earnings Yld. %(full)	11.12	11.10	10.58	10.65	10.70	8.46				
P/E Ratio (net)(*)	10.99	11.01	11.47	11.39	11.34	14.49				
SEAQ Bargains (5pm)	33,257	28,764	26,092	23,914	23,002	52,949				
Equity Turnover (£m)	-		1008.35	816.41	1157.51	1938.98				
Equity Bargains	-		28,973	26,946	27,071	68,225				
Shares Traded (mls)	-		398.9	347.4	357.6	-				

S.E ACTIVITY

Indices	Mar. 2	Mar. 1
Gilt Edged Bargains	129.3	134.0
Equity Bargains	201.6	187.7
Equity Value	2682.3	2038.1
5-Day average		
Gilt Edged Bargains	127.3	128.5
Equity Bargains	182.5	177.0
Equity Value	2194.6	2046.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1477.3	1477.9	1474.0	1472.6	1468.7	1469.7	1469.7	1464.8

Day's High 1478.6 Day's low 1462.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.88. † Correction

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (18)

BRITISH FUNDS (1) Treas 3pc 1988, AMERICANS (2) Bethlehem Steel, Corporate Data, BUILDINGS (1) Breedon, HOTELS (1) Intl Enterprises, INDUSTRIALS (1) Mayne Nickless, PROPERTY (1) Helical Bar 5¼pc, TRUSTS (1) Drayton Japan, OILS (1) Brasil, THIRD MARKET (1) M.L. Laboratories.

NEW LOWS (15)

ELECTRICALS (1) Dewhirst (I.J.), ENGINEERING (1) Thornton (G.W.), FOODS (1) Daniels (S.), INDUSTRIALS (1) GAC Intl., INSURANCE (1) Equity Brsn., LEISURE (2) Ulster TV N/V "A", Zetters Leisure, TEXTILES (1) CoxMoore, TRUSTS (1) Parrish Independent Inv. Wrrnts., MINES (2) Joel (H.J.) Gold, Dragon Res., Golconda Mines.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	6,000	Enterprise Oil	1,800	Prudential	490
Allied-Lyons	5,500	Fisons	5,600	Racal	5,100
Amstrad	4,100	General Accident	874	Rank Org.	930
Argyll Group	2,800	General Elect.	5,100	RMC	670
Assoc. Brit. Foods	960	Glaxo	3,100	RHM	613
BAA	4,900	Globe Investment	1,000	Reckitt & Colman	291
BAT	4,600	Granada	900	Redland	825
BET	1,300	Grand Met	3,700	Reed Intl.	2,100
BICC	712	GUS "A"	271	Reuters "B"	636
BOC	2,700	Guardian R.E.	100	RTZ	1,800
BPB Inds.	1,900	GKN	1,800	Rolls-Royce	6,600
BTR	1,700	Guinness	5,000	Rothmans "B"	1,100
Barclays	1,400	Hammerson	770	Rowntree	702
Bass	711	Hanson	10,000	Ryl Bank Scotland	1,400
Beecham	3,400	Hawker Siddeley	900	Royal Insurance	1,300
Blue Arrow	2,900	Hillsdown Holdings	2,500	STC	1,300
Blue Circle	1,500	IMI	524	Saatchi & Saatchi	1,400
Boots	7,800	ICI	2,900	Sainsbury	3,800
Brit. Airways	3,400	Jaguar	4,200	Scott & Newcastle	1,800
Brit. Aerospace	7,400	Ladbroke	2,700	Sears	3,100
Brit. & Comm.	1,200	Land Securities	800	Sedgwick	2,200
British Gas	13,500	Laporte	47	Shell Transport	2,200
BP	8,300	Legal & General	1,700	Smith & Nephew	3,800
Brit. Telecom	5,700	Lloyds Bank	2,200	Standard Chart.	646
Bunzl	392	LASMO	1,200	Storehouse	1,100
Burmah Oil	426	Lonrho	1,200	Sun Alliance	464
Burton	4,500	Lucas	793	T & N	1,400
Cable & Wireless	7,300	MEPC	165	TSB	4,800
Cadbury Schweppes	2,100	Marks & Spencer	3,600	Tarmac	2,900
Coats Viyella	1,900	Maxwell Comm.	910	Tesco	5,300
Commercial Union	1,200	Metal Box	2,700	THORN EMI	2,000
Cons. Gold	312	Midland Bank	1,700	Trafalgar House	2,800
Cookson	1,200	NatWest Bank	1,200	Trusthouse Forte	4,000
Courtaulds	3,800	Next	1,100	Ultramar	629
Dalgety	479	Northern Foods	184	Unilever	1,000
Dee Corporation	1,400	Pearson	556	United Biscuits	1,700
Dixons Group	3,100	Pearl Group	25	Wellcome	639
English China Clays	2,800	P & O	2,100	Whitbread "A"	2,000
		Pilkington	3,700	Woolworth	1,400
		Plessey	7,600		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	37	68	9
Corporations, Dominion and Foreign Bonds	11	20	21
Industrials	524	321	715
Financial and Properties	208	98	332
Oils	19	26	64
Plantations	1	1	11
Mines	55	34	112
Others	98	41	121
Totals	953	609	1,385

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Mar 3 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Mar 2 Index No.	Tue Mar 1 Index No.	Mon Feb 29 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	765.18	+0.1	9.64	3.84	13.02	1.64	764.65	753.33	750.55	862.52
2	Building Materials (30)	1025.34	-----	9.61	3.68	12.95	0.82	1024.79	998.28	996.18	1042.34
3	Contracting, Construction (34)	1533.09	-----	9.06	3.31	14.66	1.22	1532.98	1512.80	1502.80	1475.62
4	Electricals (11)	2090.50	+0.3	9.05	4.76	14.31	0.63	2083.86	2081.49	2067.27	2022.41
5	Electronics (32)	1551.53	-0.8	10.64	3.52	12.26	7.88	1564.20	1539.52	1518.80	1981.63
6	Mechanical Engineering (58)	395.85	+0.5	9.64	4.24	13.08	0.96	393.89	388.71	389.00	480.50
8	Metals and Metal Forming (7)	452.37	+0.2	9.52	3.71	12.67	0.00	451.52	446.35	438.86	449.32
9	Motors (13)	293.91	+0.5	10.89	3.93	10.76	0.00	292.40	289.79	288.18	330.30
10	Other Industrial Materials (24)	1270.94	+0.5	8.51	4.10	14.00	2.98	1264.06	1250.22	1259.78	1470.66
21	CONSUMER GROUP (185)	1066.53	+0.4	8.38	3.48	15.19	2.66	1062.19	1044.59	1038.44	1183.11
22	Brewers and Distillers (21)	1047.53	-0.4	10.58	3.76	11.94	4.24	1051.85	1029.67	1021.53	1093.59
25	Food Manufacturing (23)	852.61	+0.3	9.16	3.90	14.04	2.30	850.35	841.40	839.87	889.53
26	Food Retailing (16)	2111.44	+1.8	7.62	3.03	17.66	7.15	2074.37	2045.22	2023.87	2124.20
27	Health and Household Products (10)	1885.60	-----	6.31	2.44	18.88	0.45	1884.53	1844.39	1826.80	2379.35
29	Leisure (31)	1243.40	-----	7.51	3.80	16.56	8.88	1243.37	1218.90	1202.73	1197.21
31	Packaging & Paper (16)	519.28	+1.3	8.23	3.54	15.99	0.46	512.86	506.25	505.37	607.14
32	Publishing & Printing (16)	3571.86	+1.4	6.37	4.16	19.73	4.11	3522.36	3439.43	3426.26	3506.38
34	Stores (34)	835.84	+0.4	9.13	3.67	14.70	1.41	832.55	822.75	822.26	1016.15
35	Textiles (18)	578.87	+0.1	11.33	4.07	10.21	0.19	578.35	569.42	570.61	676.53
40	OTHER GROUPS (93)	903.37	+0.3	10.56	4.15	11.80	1.33	900.58	886.27	877.95	978.89
41	Agencies (19)	1164.24	+0.1	6.96	2.24	18.52	4.36	1163.28	1151.22	1129.53	1373.09
42	Chemicals (20)	1085.30	+0.6	11.04	4.54	11.10	3.51	1078.81	1064.96	1054.44	1259.97
43	Conglomerates (13)	1196.59	-0.6	9.89	4.43	11.77	3.14	1203.74	1182.88	1175.60	1303.34
45	Shipping and Transport (12)	1899.68	+0.6	8.94	4.32	14.61	0.00	1889.28	1854.94	1846.92	1958.82
47	Telephone Networks (2)	971.45	-0.2	11.08	4.36	12.01	0.00	972.99	957.23	946.71	977.67
48	Miscellaneous (27)	1203.29	+1.7	12.62	3.94	9.43	0.48	1182.60	1160.38	1151.42	1325.86
49	INDUSTRIAL GROUP (487)	955.12	+0.3	9.31	3.76	13.54	2.03	952.32	937.16	931.26	1056.92
51	Oil & Gas (13)	1734.52	+0.2	9.98	6.00	12.47	20.44	1730.63	1729.19	1725.00	1712.03
59	500 SHARE INDEX (500)	1021.37	+0.3	9.40	4.06	13.38	3.59	1018.47	1004.36	998.59	1111.83
61	FINANCIAL GROUP (122)	674.91	+0.2	–	4.82	–	1.61	673.56	667.53	661.32	680.32
62	Banks (8)	685.43	+0.1	23.03	5.94	5.54	3.97	684.85	676.73	667.42	737.87
65	Insurance (Life) (8)	996.23	+0.6	–	4.62	–	0.00	989.97	983.34	979.88	968.58
66	Insurance (Composite) (7)	532.27	-0.3	–	5.50	–	0.00	533.95	528.38	519.58	534.94
67	Insurance (Brokers) (7)	868.81	-0.9	13.92	7.42	9.17	1.30	876.80	873.18	873.18	1203.10
68	Merchant Banks (11)	342.91	+0.4	–	4.16	–	0.02	341.40	340.03	341.54	378.22
69	Property (51)	1063.14	-----	5.16	2.90	24.76	0.99	1062.95	1053.98	1046.00	873.11
70	Other Financial (30)	395.02	+1.6	9.62	4.31	13.11	1.43	388.89	386.84	384.96	435.43
71	Investment Trusts (83)	882.40	+0.3	–	2.94	–	2.02	879.99	872.28	865.33	973.53
81	Mining Finance (2)	437.65	+2.6	10.39	3.93	10.84	0.00	426.59	426.19	413.19	386.58
91	Overseas Traders (8)	1041.17	+0.3	9.85	5.19	12.04	14.64	1037.93	1032.26	1022.26	894.74
99	ALL-SHARE INDEX (715)	928.76	+0.3	–	4.15	–	3.11	925.98	914.24	908.08	995.25

	Index No.	Day's Change	Day's High	Day's Low	Mar 2	Mar 1	Feb 29	Feb 26	Feb 25	Year ago
FT-SE 100 SHARE INDEX ‡	1813.3	+4.6	1826.4	1812.1	1808.7	1781.9	1768.8	1766.5	1782.4	2002.8

FIXED INTEREST

	PRICE INDICES	Thu Mar 3	Day's change %	Wed Mar 2	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.20	+0.07	123.12	–	2.04
2	5-15 years	141.70	+0.05	141.62	–	2.14
3	Over 15 years	151.20	+0.04	151.15	–	2.46
4	Irredeemables	168.19	+0.18	167.89	–	1.54
5	All stocks	138.14	+0.06	138.06	–	2.14
	Index-Linked					
6	5 years	124.62	+0.16	124.41	–	0.51
7	Over 5 years	117.21	-0.08	117.30	–	0.67
8	All stocks	117.65	-0.06	117.72	–	0.66
9	Debentures & Loans	119.91	+0.19	119.69	–	1.56
10	Preference	88.74	+0.95	87.90	–	0.53

	AVERAGE GROSS REDEMPTION YIELDS		Thu Mar 3	Wed Mar 2	Year ago (approx.)
	British Government				
1	Low	5 years	8.69	8.69	8.33
2	Coupons	15 years	9.04	9.05	9.17
3		25 years	8.96	8.96	9.18
4	Medium	5 years	9.22	9.24	9.37
5	Coupons	15 years	9.25	9.25	9.36
6		25 years	9.15	9.15	9.36
7	High	5 years	9.31	9.33	9.46
8	Coupons	15 years	9.40	9.40	9.52
9		25 years	9.17	9.17	9.35
10	Irredeemables†		9.02	9.05	9.13
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.41	2.46	2.53
12	Inflation rate 5%	Over 5 yrs.	3.83	3.83	3.39
13	Inflation rate 10%	5 yrs.	1.44	1.49	0.89
14	Inflation rate 10%	Over 5 yrs.	3.67	3.66	3.23
15	Debs &	5 years	10.71	10.73	10.13
16	Loans	15 years	10.60	10.63	10.29
17		25 years	10.60	10.63	10.32
18	Preference†		10.47	10.58	11.10

‡Opening index 1821.5; 10 am 1824.2; 11 am 1823.6; Noon 1822.5; 1 pm 1819.0; 2 pm 1820.2; 3 pm 1819.9; 3.30 pm 1820.9; 4 pm 1815.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Mar 3 Total Contracts 35,897 Calls 25,003 Puts 10,894
FT-SE Index Calls 1,036 Puts 2,520
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices March 3

[illegible]

MONTREAL

Closing prices March 3

[illegible]

Total Sales 4,493,376 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

CANADA — TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 2% IL 1996	£130⅞	+ 5/16
Abbey Life	268	+ 7
Assoc. Newspapers	460	+ 9
BAT Inds.	459	+ 12
Burton	255	+ 8
Christies Intl.	584	+ 30
Cookson	568	+ 13
Enterprise Oil	302	+ 8
Eurotherm	331	+ 10
First Nat. Fin.	253	+ 10
Kleinwort Benson	360	+ 10
Lex Service	340	+ 17
Logica	268	+ 7
P & O Defd.	579	+ 14
Parker Knoll A	735	+ 40
Sainsbury (J.)	235	+ 11
Taylor Woodrow	399	+ 8
Tozer Kemsley	80	+ 6
United Newspapers	449	+ 7
WPP	535	+ 11

FALLS

Allied-Lyons	364	− 7
Beazer	192	− 15
Plessey	168	−5½

TOKYO - Most Active Stocks
Thursday, March 3, 1988

	Stocks Traded	Closing Prices	Change on day
Tokyo Gas	62.59m	1,180	+20
Nippon Kokan	48.16m	354	-7
Sumitomo Metal	43.19m	338	-3
Nippon Steel	40.54m	432	-9
Nisshin Steel	38.38m	735	+1
Ishikawajima-Harima Heavy Industries	35.68m	768	-4
Kawasaki Steel	32.00m	380	-4
Nissan Motor	31.86m	898	+21
Hitachi Ltd	26.45m	360	-10
Kawaski Heavy Industries	16.46m	333	-7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.7	19	163	22	21⅝	21⅞	+⅛
35	21	AFG s	.16	.4	16	21122	u37¼	35½	37	+4¾
27	10½	AGS s			16	2843	19½	17⅝	19	+1⅜
9⅜	3¼	AM Intl				668	4¼	4⅛	4⅛	
65½	26¾	AMR			13	11791	42⅞	39⅞	42⅛	+2⅛
12¾	6⅜	ARX			8	638	8	7¾	8	+⅛
73½	40⅞	ASA	3	6.4		382	47	46⅝	46¾	
22⅝	9½	AVX			14	226	16¾	16⅝	16¾	−⅛
67	40	AbtLab	1	1.9	19	2520	51⅞	51⅜	51¾	+⅜
28	15⅝	Abitibi g				29	19	18¾	18¾	−⅛
16¾	8½	AcmeC .40		3.6		97	11¼	11	11⅛	
10½	6¾	AcmeE .32b		3.8	23	78	8⅝	8¼	8½	+¼
20	14⅛	AdaEx 3.05e		18.		216	17	16⅝	16⅞	+⅛
19½	6⅞	AdamM .24		1.9	10	58	12⅜	12⅛	12⅜	
24⅞	7½	AMD				4954	12¾	12	12⅝	
56¾	29¼	AMD pf	3	8.2		112	36½	36¼	36½	+1
11⅞	4⅝	Adobe			12	182	7¼	7	7	−¼
20½	16¼	Adob pf 1.84		10.		23	17¾	17½	17¾	+¼
21¾	17½	Adob pf 2.40		12.		128	20⅝	20⅜	20⅝	
15	6⅛	Advest .12a		1.6	6	306	7¾	7½	7½	−⅛
67⅞	43½	AetnLf 2.76		5.8	6	1389	48	47⅝	48	+¼
83½	41	AflPub .40		.6	35	155	62¼	61¼	62	+1
25⅞	13	Ahmans .88		5.5	8	4985	16½	16	16⅛	−⅜
5⅜	1⅜	Aileen				4	2⅛	2	2⅛	+⅛
58⅞	29	AirPrd	1	2.1	15	4641	48½	47¾	48	+⅛
[illegible]										

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	4.9	11	7196	62	60¼	61	−¾
58⅛	52⅝	Xerox pf5.45		10.		4598	52⅝	52⅜	52⅝	
31⅜	18⅞	XTRA	.64	2.0	16	914	u32⅜	31⅜	32¼	+1
33⅞	17½	Yorkin			10	32	28	27¾	28	+¼
7¼	2¼	Zapata				278	3¼	3	3	−⅛
37	13½	Zayre	.40	1.8	8	7000	23⅜	22⅝	22⅝	−⅞
16⅛	8¾	Zemex	.40	3.9	13	3	10⅜	10⅛	10⅜	+⅛
33⅝	10	ZenithE				2965	18½	17⅞	18¼	+⅝
13½	2½	ZenLab				349	3	2⅞	2⅞	
24	13½	ZeniNl	.80	4.6	8	278	17½	17⅜	17½	−⅛
20⅜	11⅜	Zero	.36	2.4	16	103	15	14⅝	15	+⅜
30¼	15	Zurnin s .68		3.1	15	133	22⅞	22	22¼	−¾
10⅝	7⅝	Zweig 1.09e		11.		425	9⅞	9¾	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 39

AMERICA

Sellers win tug-of-war with buyers as Dow closes down

Wall Street

IN A TUG-OF-WAR between buyers and sellers yesterday on Wall Street, sellers finally got the upper hand and pushed the market down in late trading, *writes Deborah Hargreaves in New York.*

A dull bond market and stable dollar cast a gloom over trading and the market hovered within a narrow range all day. The Dow Jones Industrial Average finally closing down 7.8 points at 2,063.49 points.

Similarly, the bond market traded in a stubbornly tight range with traders sitting on their hands in advance of February unemployment figures to be released today. In the current lacklustre bond market, these figures could be enough to push it out of its narrow range in either direction.

With the bond market's current fixation on commodities, a firming in oil prices pushed it up a little, but this was offset by gold falling in nervous New York trading.

The drop in the Dow Jones average marks the first day's decline since the market began its battle to hold its post-crash high this week. Broader market indices looked healthier with the Nasdaq over-the-counter stock index up 1.63 points at 372.01. The Standard and Poors 500 was off 0.09 points to 267.89.

Blue chip stocks showed some weakness yesterday with IBM losing $7/8 to $116 3/8, Bethlehem Steel giving up $3/8 to $21 1/4 and AT&T falling $3/8 to $29. At the same time, General Electric dropped $1/2 to $44 5/8 after it restated its fourth quarter results for last year to 51 cents a share from the 96 cents a share it had reported in January.

Major US retailers had a mixed performance as they reported only slight rises in retail sales for February. Sears Roebuck dropped $7/8 to $38 7/8 after news that its sales were 2.5 per cent higher than February last year. K mart lost $1/4 to $34 5/8 on news of an 0.8 per cent rise in sales and J.C. Penney was off $5/8 at $48 3/4 after a slight sales drop of 0.5 per cent.

Takeover stocks continued to be active with Federated Department Stores losing $1/2 to $66 1/4 as it remained the target of a takeover battle between R.H. Macy and Campeau of Canada. Campeau sweetened its offer to $75 a share for 80 per cent of the company's common stock and $44 each for the rest. The offer, which results in a blended value of $68 a share, appears to top a similarly structured merger agreement between Federated and Macy.

Koppers, a construction materials manufacturing firm, gained $6 5/8 to $51 3/4 after UK group Beazer and brokerage company Shearson Lehman Hutton launched a $45-a-share takeover bid. Shearson also rose $3/8 to $20 1/4.

AFG Industries, a flat glass producer, registered an increase of $4 3/4 to $37 after leveraged buy-out company Forstmann Little & Co offered to take the company private at an unspecified higher price than the $33-a-share bid by an investor group led by AFG's chairman.

Farmers Group, an over-the-counter stock, gained $3/4 to $62 3/4 following the launch of a $63-a-share tender offer by the US unit of BAT Industries.

Very little was moving the credit markets. After nosing up and then down again, the Treasury's long bond was unchanged in late trading at 106 1/8 with a yield of 8.31 per cent.

Short-term interest rates remained stable with the three-month Treasury bill yielding 5.74 per cent.

Canada

ADVANCES in base metals and golds carried Toronto stocks slightly higher after a quiet session.

The composite index gained 3.01 to close at 3,231.16 as advances outpaced declines by 454 to 360 on light turnover of 21.7m shares.

Eight of the 14 sub-indices were higher as mining and gold stocks showed slight gains. Consumer and industrial products, energy and financial services groups ended little changed.

Most investors remained on the sidelines, waiting to see which way the market would drift.

Campeau raised its offer for Federated Department Stores through a two-tier bid similar to that offered by R.H. Macy. It also said it would challenge the "break-up fees" contained in the Federated-Macy agreement. Campeau closed off C$3/8 TO C$20 7/8.

CIL moved further above its parent company's indicated C$38-a-share offer for the minority shares, rising C$5/8 TO C$39 7/8.

EUROPE

Turnover hits a post-crash high in Zurich

THE SEARCH for a new direction kept Frankfurt and Paris in check yesterday, and most markets reported moderate turnover. In Zurich, however, volume reached its highest post-crash level, while Oslo and Stockholm were boosted by takeover news.

FRANKFURT was buoyed by generally favourable sentiment, although the absence of significant news dampened the rise. The FAZ index added 0.83 to 457.66 in moderate trade.

Insurer Allianz rose DM19 to DM1,389, helped by news that domestic group net profit for 1987 would be similar to the previous year.

Porsche lost DM1 to DM465 amid renewed speculation, rejected by the luxury car maker, that it was to be taken over by Daimler. Daimler, which was also in the news with its announcement of a 27 per cent drop in February car sales, added DM2.80 to DM698.30.

Lufthansa, which reported record load factors on Wednesday, gained DM8 to DM150, and computer maker Nixdorf ended up DM13 to DM564.50, helped by recent news of a large order from China.

The yield on 10-year bonds remained at about 6.17 per cent.

PARIS was again hit by the absence of market-moving events and share prices ended lower in quiet trade.

The CAC index fell below 300 for the first time this accounting month, dropping 7.3 to 299.6, as domestic and foreign investors stayed away.

Low-priced stocks were the most active and Eurotunnel added FFr1.85 to FFr32, while Moulinex lost FFr1 to FFr53.

The market appeared unaffected by the Bank of France's decision not to cut key intervention rates.

ZURICH recorded its highest volume since the crash as domestic investors went on a buying spree, encouraged by the firmer dollar.

The Crédit Suisse index added 2.6 to 467.3. Late selling of blue chips, especially by overseas investors keen to take profits, pulled shares back from the day's highs.

Interest focused on aluminium and chemicals group Alusuisse, which yesterday reported a return to profit after two years in the red. Because the turn-around had been expected, profit-taking set in and the issue ended down SFr32, or 4.8 per cent, at SFr640, after hitting a low of SFr635.

Brown Boveri continued to benefit from news of its rationalisation and added SFr25 to SFr2,125, having reached SFr2,200.

MILAN was hit by further profit-taking and ended the day lower in moderate trading, with the MIB index falling 9 to 1,022.

News of a record L2.3 trillion (million million) net outflow from Italian mutual funds last month seemed largely to have been discounted. Most of the selling took place in the first half of the month, with government securities the hardest hit, so the news for equities was not as bad as at first glance, said one analyst.

Shares in the De Benedetti group saw continued profit-taking, and CIR lost L119 to L5,052. The holding company would not comment on continued rumours about a restructuring involving its Sabaudia subsidiary. Olivetti fell L70 to L8,710 and Cofide ended down L80 at L5,020.

BRUSSELS finished mixed to higher, underpinned by the continuing trend toward lower interest rates in Belgium and the dollar's firmness.

The Brussels stock index put on 19.79 to 4,874.33 in moderate trading. Takeover target Société Générale de Belgique, still suspended on the main market, added BFr60 to BFr7,990 on the cash market. Gevaert, which is allied to Mr Carlo De Benedetti in the fight for La Générale, lost BFr90 to BFr7,610.

AMSTERDAM fell back from the day's highs and closed mixed under profit-taking pressure.

The ANP-CBS index added 2.2 to 241 in moderate turnover as the rally of the past three days began testing technical resistance points.

Royal Dutch eased 60 cents to Fl 124.50 after disappointing the market with an unchanged annual dividend and Heineken, due to announce 1987 profits today, finished unchanged at Fl 127.

OSLO closed higher in active trading, with investors returning to the market after Parliament's approval of a temporary wage and earnings freeze, aimed at tackling the country's economic problems.

Offshore engineering and construction company Aker Norcem was suspended before announcing it was joining Sweden's Euroc in the purchase of Britain's largest cement company from RTZ. The all-share index rose 1.89 to 278.68.

STOCKHOLM rose to its highest level for the year, helped by strong institutional interest and some activity from overseas. The Affaersvaerlden index gained 5.9 to 785.7.

Trading in Euroc was suspended pending news of its joint announcement with Norway's Aker Norcem. The forestry sector, which has risen by 34 per cent this year, was boosted further by recent pulp price increases and expectations SCA and Stora will submit healthy annual reports next week.

London

BLUE CHIP stocks continued to dominate market trading in London yesterday, with the FT-SE 100 index adding 4.6 to 1,813.3 in reduced turnover.

Wall Street's dull opening led to selling pressure on international favourites such as ICI and Glaxo but good trading results from Royal Dutch/Shell kept sentiment up.

SOUTH AFRICA

A QUIET session saw gold stocks close with small losses as the bullion price slipped below $430.

The gold index declined 13 to 1,252 while the industrial index was steady at 1,438.

Diamond and platinum issues performed most strongly.

Following interest from New York and London, De Beers rose 75 cents to R26.75. In platinum stocks, Impala firmed 50 cents to R25.25 and Rustenberg was unchanged at R27.75 as the platinum price remained at $470.

In golds, Vaal Reefs fell R6 to R245 and Southvaal R2 to R114.

William Dullforce examines a change of tack by foreigner investors

Cautious return to Switzerland

SWITZERLAND'S stock market is starting to win back overseas investors, but the pre-crash days of aggressive buying are over and caution is the catchword.

The foreigners' return comprises largely British and German fund managers, according to brokers. Their targets are the Swiss blue chips - selected insurance stocks, chemicals and one or two engineering shares - in Zurich and Geneva.

Gone is the sometimes monolithic buying demonstrated by overseas investors during the bull market, which ran from 1983 to last October's crash. Fundamental qualities now determine whether to buy, with such investors far more selective – and much more cautious towards the non-voting stock, which Swiss companies greedily issued to meet demand in 1985-86.

Swiss brokers are, in fact, having to go awooing. They are not yet sure that the tentative revival in foreign interest is a true response to their repeated message that Swiss equities are heavily underrated at current market prices.

As Mr Michel Koch, head of Lombard, Odier's investment advisory service, put it: "There's no stampede and they are not showing downright enthusiasm."

The excessive dependence of the Swiss market on foreign investors was clearly demonstrated in the crash. Selling by foreigners seeking cash precipitated the plunge in Zurich, which finally bottomed out after a 38 per cent slump in the Swiss Bank Corporation index from its high on October 5.

Second-tier stocks took severe beatings as the foreigners quit, and trading volume shrivelled through January.

October's storm has left Swiss equities very moderately valued by whatever yardstick is used to compare them internationally, Mr Koch says. They are now selling for hardly more than their net worth, even though most companies hold substantial hidden reserves.

A focus for debate since October has been the ambiguity at the heart of the Swiss equities market arising from the differentiation between registered shares, available almost exclusively to Swiss investors, and the non-voting stock sold mostly to foreigners.

Over the month of February, the SBC index climbed by 7.2 per cent. Sub-indices show that bearer and non-voting stocks climbed by 7.3 per cent over the period, against 6.9 per cent for registered shares.

Significantly, however, the domestic-demand oriented registered stocks rose more strongly in the first part of the month than in the second, putting on 9.7 per cent up to February 18. Meanwhile, the bearer and non-voting sector added 5 per cent in the first half, suggesting stronger demand from foreigners in the latter half.

Part of the pattern is no doubt accounted for by short-term profit-taking in registered stocks by domestic institutions and by a fairly quick rotation among sectors by investors, suggesting confidence is still fragile.

Some profit-taking was apparent in Swiss insurance shares, which have been leading the market for the past couple of months after underperforming for some time. The insurance sector put on 6.8 per cent in February as a whole after gaining 8.2 per cent in the first 18 days.

Chemicals, which has been one of the strongest sectors, put on 4.6 per cent over the month, after being 5.8 per cent higher on February 18. The bank index, meanwhile, had risen 2.4 per cent by February 18 and showed a 5.7 per cent improvement by the end of the month.

But the best performance came somewhat surprisingly in the metals and machinery sector – up 14.2 per cent during February – where special situations set the tone.

Brown Boveri's bearer and registered stock surged by 18.6 per cent. The market is apparently convinced that the merger with Sweden's Asea is working out.

Brokers are careful not to interpret the activity as heralding a full market revival. They believe, however, that investors have started to take note of the better yields on equities than on bonds and are gradually recovering their confidence in shares.

ASIA

Bank's warning unnerves investors

Tokyo

WARNINGS from Bank of Japan sources about the Tokyo market's recent sharp rise unsettled investors yesterday and erased morning gains, pulling the Nikkei average lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei fell 86.51 to 25,596.31 after trading in a range from 25,585.03 to 25,757.38, while the all-share Tokyo Stock Exchange index turned down after a 16-day rising streak, closing 6.19 lower at 2,106.20. Turnover fell from Wednesday's 1.84bn but was still high at 1.13bn.

The index rose 75.21 in the morning, topping the 25,746.56 level of the day before the October 20 market crash. But investors turned cautious after the Bank of Japan sources said on Wednesday that recent gains had been slightly overdone and the lessons of the October crash should not be forgotten.

The bank tolerated a one-point increase in the three-month bill rate to 3.8125 per cent and some market participants took this as a step to prevent overheating in the stock market.

Leading brokerage houses said a price correction at this stage was necessary in order to maintain the current uptrend over a long period. But institutions became reluctant to buy.

Tokyo Gas, the day's most heavily traded stock at 62.59m shares, advanced Y20 to Y1,180. But large-capital steels turned lower and volume also fell: Nippon Kokan was the second most active stock with 48.16m shares changing hands – steeply down from more than 100m on Wednesday – lost Y7 to Y354, while Sumitomo Metal Industries, with 43.19m shares, lost Y3 to Y338.

Chemicals and financials also eased but the yen's fall against the dollar encouraged investors to seek leading high-tech stocks. NEC and Matsushita Electric Industrial rose Y20 each to Y2,110 and Y2,430 respectively, but NTT turned down Y20,000 to Y2.45m.

Among biotechnologies, Sankyo added Y30 to Y2,250 and Shionogi Y30 to Y1,840.

Bonds fell slightly as the yen's decline and the one-point increase in the three-month bill rate discouraged investors. Prices firmed briefly when the Bank of Japan bought Y50bn worth of bonds, including the 5.1 per cent government bond due in June 1996, but trading generally remained lacklustre. The yield on the benchmark 5.0 per cent government bond due in December 1997 rose to 4.410 per cent from Wednesday's 4.380 per cent.

Profit-taking pushed shares down for the first time in six sessions in Osaka. The OSE stock average fell 6.72 to 25,896.19 on transactions totalling 160m shares, down 129m.

● Nikko Securities and the Mutual Fund Company of Thailand plan to launch a Thailand Growth Fund of at least $50m in early May to allow Japanese companies to invest in the Thai stock market.

Australia

SELLERS moved in to lift shares off their peaks but the market still managed to close higher. The All Ordinaries index finished up 7.8 at 1,293.7 in solid turnover of 126m shares.

The more stable bullion price helped the gold index to a 38.7 rise to 1,529.4 although gold shares were mixed.

CRA, the big mining group, was steady at A$5.70 following its record 1987 earnings.

Transport stocks did well among industrials as TNT added 13 cents to A$4.38 and Mayne Nickless 20 cents to A$5.26. In industrial supplies, Amcor rose 1 cent to A$4.06 after announcing a 16 per cent increase in interim net profit.

● In New Zealand, share prices pushed ahead strongly. The Barclays Index scored a 69 point gain to 1,751.46, its largest rise this year.

Hong Kong

PROFIT-TAKING by local investors was balanced by fresh interest from overseas institutions, notably in the US, and shares ended mixed.

The Hang Seng index closed 6.35 higher at 2,468.48 bringing its rise over the six sessions to 133.

Singapore

BARGAIN-HUNTERS caused a sharp rise in prices across the board in moderate Singapore trading before today's Budget.

Institutions returned in search of quality stocks, but most activity was in low-priced issues.

Seoul

PRICES recovered on the South Korean market after a four-day setback as institutions started to buy again. The composite stock index rose 4.77 to 613.01.

Jitters over Indian budget

INDIAN stock markets reacted coolly to a package of fiscal measures announced by the Government on Monday to stimulate economic growth, *writes R.C. Murthy in Bombay.*

Shares initially fell on the absence of concessions over corporate tax. They rallied briefly on consideration of excise duty cuts on some industrial raw materials and agricultural inputs, but then fell again after the Government made it clear that excise relief would have to be passed on to the consumer.

The All-India share price index of the Economic Times, India's main business newspaper, lost 2 points to close at 233.8 on Wednesday and the market continued lower yesterday.

Mr Mahendra Kampani, President of the Bombay Stock Exchange, said investors had expected more tax relief. The Government has, however, raised the tax threshold on dividend income earned by individuals.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 3 1988					WEDNESDAY MARCH 2 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	103.91	+0.7	87.13	95.20	4.40	103.16	86.34	95.03	180.81	85.36	112.04
Austria (16)	87.58	+0.3	73.44	76.99	2.72	87.33	73.09	76.67	102.87	84.35	94.67
Belgium (48)	134.27	+1.6	112.59	117.55	4.06	132.18	110.62	115.56	134.89	94.63	110.11
Canada (127)	118.33	+0.1	99.23	107.41	3.04	118.19	98.92	107.45	141.78	98.15	123.18
Denmark (38)	119.91	+0.8	100.55	105.56	2.77	118.95	99.55	104.59	124.83	98.18	111.39
Finland (23)	116.59	+1.2	97.77	100.15	1.98	115.17	96.39	98.87	–	–	–
France (122)	85.53	–1.0	71.73	76.98	3.89	86.40	72.31	77.63	121.82	72.77	115.47
West Germany (94)	77.57	+0.0	65.05	68.42	2.71	77.54	64.89	68.22	104.93	67.78	90.14
Hong Kong (46)	95.37	+0.3	79.98	95.50	4.44	95.05	79.55	95.18	158.68	73.92	110.10
Ireland (14)	116.02	+0.2	97.29	104.00	4.22	115.80	96.92	103.60	160.22	93.50	122.74
Italy (94)	73.98	–1.1	62.04	69.07	2.79	74.82	62.62	69.68	112.11	62.99	97.02
Japan (457)	162.28	–0.3	136.08	132.53	0.53	162.84	136.28	132.93	162.84	100.00	121.31
Malaysia (36)	114.94	+1.2	96.38	114.18	3.27	113.54	95.02	112.82	193.64	93.76	135.11
Mexico (14)	175.16	–1.0	146.88	437.60	0.81	176.90	148.05	444.84	422.59	90.07	128.26
Netherland (37)	103.41	–0.5	86.71	89.88	5.07	103.90	86.96	90.13	131.41	87.70	106.14
New Zealand (23)	69.12	+5.3	57.96	55.29	5.89	65.66	54.95	52.73	138.99	64.42	91.66
Norway (24)	112.12	+0.1	94.02	97.09	3.14	112.00	93.74	96.69	185.01	95.51	114.91
Singapore (26)	107.24	+2.6	89.93	99.60	2.41	104.49	87.45	97.00	174.28	81.21	118.60
South Africa (61)	125.32	–0.1	105.09	77.17	5.41	125.40	104.95	77.22	198.09	100.00	129.74
Spain (43)	143.25	+1.3	120.12	123.55	3.40	141.47	118.40	121.81	168.81	100.00	116.10
Sweden (32)	112.72	+0.7	94.52	100.37	2.71	111.91	93.66	99.36	136.64	88.50	109.18
Switzerland (53)	84.47	+0.2	70.83	73.66	2.30	84.34	70.58	73.15	111.11	73.65	97.13
United Kingdom (327)	132.57	+0.1	111.17	111.17	4.28	132.42	110.82	110.82	162.87	99.65	127.21
USA (585)	109.30	+0.0	91.66	109.30	3.45	109.34	91.50	109.34	137.42	91.21	119.94
Europe (965)	105.84	+0.0	88.75	91.61	3.76	105.84	88.58	91.41	130.02	92.25	110.97
Pacific Basin (679)	157.34	–0.3	131.94	129.58	0.71	157.78	132.05	129.92	158.77	100.00	120.46
Euro-Pacific (1644)	136.76	–0.2	114.68	114.47	1.66	137.02	114.67	114.59	143.65	100.00	116.68
North America (712)	109.78	+0.0	92.06	109.21	3.42	109.81	91.90	109.25	137.55	91.68	120.11
Europe Ex. UK (638)	89.23	–0.1	74.83	79.31	3.30	89.32	74.75	79.20	111.97	78.89	100.92
Pacific Ex. Japan (222)	97.86	+1.0	82.06	91.51	4.37	96.88	81.08	90.87	164.03	82.92	110.13
World Ex. US (1846)	136.04	–0.2	114.07	113.96	1.74	136.28	114.06	114.08	143.38	100.00	117.07
World Ex. UK (2104)	125.02	–0.2	104.84	112.44	2.10	125.22	104.80	112.58	138.82	100.00	117.33
World Ex. So. Af (2370)	125.68	–0.1	105.39	112.57	2.29	125.85	105.32	112.67	139.47	100.00	118.13
World Ex. Japan (1974)	108.14	+0.0	90.68	102.03	3.59	108.12	90.48	101.95	134.22	92.98	116.72
The World Index (2431)	125.68	–0.1	105.39	112.31	2.31	125.85	105.32	112.41	139.73	100.00	118.20

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Amendments to Indices for March 2 applied to Spain, Europe and Europe Ex. UK.